S. HRG. 102-31

# FISCAL YEAR 1991 SUPPLEMENTAL REQUEST FOR OPERATION DESERT STORM

## HEARING

BEFORE THE

## COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

FEBRUARY 28, 1991

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# FISCAL YEAR 1991 SUPPLEMENTAL REQUEST FOR OPERATION DESERT STORM

THURSDAY, FEBRUARY 28, 1991

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
*Washington, DC.*

The committee met, pursuant to notice, at 2:12 p.m. in room SR-222, Senator Sam Nunn (chairman) presiding.

Committee members present: Senators Nunn, Exon, Levin, Bingaman, Dixon, Glenn, Wirth, Warner, Thurmond, Cohen, Wallop, Lott, Coats, Mack, and Smith.

Committee staff members present: Arnold L. Punaro, staff director, and Andrew S. Effron, general counsel.

Professional staff members present: Robert E. Bayer, Robert G. Bell, John J. Hamre, David S. Lyles, T. Kirk McConnell, Michael J. McCord, and Frederick F.Y. Pang.

Minority staff members present: Patrick A. Tucker, minority staff director and counsel, Romie L. Brownlee, deputy staff director for the minority, Brian D. Dailey, Judith A. Freedman, George K. Johnson, Jr., Ronald P. Kelly, George W. Lauffer, Durwood W. Ringo, Jr., Mark B. Robinson, and Ann Elise Sauer, professional staff members.

Staff assistants present: Kelli J. Corts, Camden Jones, and Mary J. Kampo.

Committee members' assistants present: Andrew W. Johnson, assistant to Senator Exon, Kenneth N. Luongo, assistant to Senator Levin, William J. Lynn, assistant to Senator Kennedy, John P. Gerhart, assistant to Senator Bingaman, Charles C. Smith, assistant to Senator Dixon, Milton D. Beach, assistant to Senator Glenn, Leon S. Fuerth, assistant to Senator Gore, Jefferson B. Seabright, assistant to Senator Wirth, Terence M. Lynch, assistant to Senator Shelby, Melvin G. Dubee, assistant to Senator Byrd, Dale F. Gerry, assistant to Senator Cohen, Marshall A. Salter, assistant to Senator McCain, Lee W. Whittaker, assistant to Senator Wallop, Samuel D. Adcock, assistant to Senator Lott, Eric H. Thoemmes, assistant to Senator Coats, Saul H. Singer, assistant to Senator Mack, and Thomas L. Lankford, assistant to Senator Smith.

## OPENING STATEMENT OF SENATOR SAM NUNN, CHAIRMAN

Chairman NUNN. The committee will come to order. We have a vote on. I am sure Senator Warner is on his way and we will have other members coming in, but we will go ahead and begin.

The committee meets this afternoon to receive testimony on the fiscal year 1991 Desert Storm supplemental request from the Department of Defense. The President has requested an authorization as well as an appropriation for the fiscal year 1991 cost of the war in the Persian Gulf, including the creation of a new Desert Shield working capital account as well as certain personnel legislation to help manage the force.

As everyone knows, the Omnibus Budget Reconciliation Act last year provided that the cost of operation Desert Shield and Desert Storm will be treated as emergency funding requirements not subject to the defense spending limits of the budget summit agreement. I have said many times in the past months that Congress will provide the resources our men and women in uniform need to conclude this campaign successfully and return home to the hero's welcome that they all so richly deserve.

This committee does have an obligation to the Senate to review the supplemental request very carefully. We had originally planned to have the Comptroller of the Department of Defense, the Honorable Sean O'Keefe, as our principal witness today. However, I am informed that Mrs. O'Keefe, along with her husband, are at the hospital delivery room today expecting a new son or daughter. We have been expecting for some time that Sean would try to duck this hearing. [Laughter.]

We did not know that his long-range planning was quite this precise, though, and we congratulate him on all accounts and we hope you will send our best to him and to his wife.

In Sean's place, we have Mr. Ron Davidson, the Assistant Deputy Comptroller for Program Budget Matters, who has been the principal person working with Sean on this supplemental and who has been with Sean during all of his previous testimony on the supplemental. Mr. Davidson, we are glad to have you.

The committee also invited the vice chiefs of each of the military services to testify today, because we wanted to assure that we understood the details of each service's needs, particularly in the area of military personnel.

Let me say again how proud this committee is of the performance of all of the military services and all of the men and women in uniform throughout Desert Shield and Operation Desert Storm. I will be personally recommending to the committee that we provide the necessary relief in the personnel areas so the services will have the flexibility to manage the phase down without adversely impacting our military personnel and their families. Our military witnesses today are Gen. Gordon R. Sullivan, the Vice Chief of Staff of the Army, Adm. Jerome L. Johnson, the Vice Chief of Naval Operations, Gen. John R. Dailey, the assistant Commandant of the Marine Corps, and Gen. John M. Loh, the Vice Chief of Staff of the Air Force.

We welcome all of you here this afternoon. We will have questions for you after you deliver your opening statements, and I want to alert the members that we will have a mark-up session next Tuesday at 9:00 a.m. to mark up the supplemental, to deal with the personnel issues—we have had several of those left over from our last mark-up—and to mark up certain personnel benefit bills related to the Persian Gulf, including the bills that Senator Kennedy

brought up right before the recess that we had to defer. We are working closely with Senator Byrd and his staff on the Appropriations Committee on the supplemental request.

Senator Warner I am sure is on his way. Senator Cohen, do you have any opening statement?

Senator COHEN. No, thank you, Mr. Chairman.

Chairman NUNN. Senators Dixon and Thurmond have requested that their prepared statements be made a part of the hearing record.

[The statements follow:]

PREPARED STATEMENT OF SENATOR ALAN DIXON

Mr. Chairman, first I want to offer my congratulations to the President and to all of our military services for a job well done in Operation Desert Storm. Let me also say that I am pleased to see the Vice Chiefs of the military services here today. We welcome their insights.

The Department of Defense is asking Congress for $15 billion to create a Desert Storm working capital account. This account, plus the funds in the Defense Cooperation Account created last year specifically for foreign contributions to Operation Desert Storm, will be used by DOD to finance the costs of Operation Desert Storm.

I understand that at this time, DOD does not know what the total costs of the war are. But DOD has identified approximately $40 billion in costs so far, of which $21.4 billion is for the costs of maintaining U.S. troops in the Gulf from October 1 through March 1; $6.4 billion for the costs of certain procurement programs to support the war; $7 billion for "orderly post-combat phase down"; and $5.2 billion for return of personnel and equipment.

However, these costs do not include any costs for the conduct of combat. I am pleased to see that the supplemental includes approximately $5.7 billion for the procurement of munitions. This includes $2.6 billion for level-of-effort "dumb" munitions.

I am concerned that the Secretary of Defense is requesting to spend the foreign contributions without congressional authorization. We faced this question last year, Mr. Chairman, and Congress passed legislation which specified that the Defense Department could not spend these donated funds without our approval. I don't think we have any reason to make changes in this situation.

I am also concerned that certain parties among our allies have not paid into this fund the amounts they said they would. I would encourage the administration to pressure these countries to pay their complete pledges. I think the American people will not look kindly on those nations that do not pay their fair share. I know this senator will definitely not look kindly on those nations who do not meet their obligations to the United States.

Thank you, Mr. Chairman.

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PREPARED STATEMENT BY SENATOR STROM THURMOND

Good afternoon, gentlemen:

I join Chairman Nunn and the ranking member Senator Warner, in welcoming you to today's hearing on supplemental funding for Operation Desert Shield and Operation Desert Storm.

Before we get to the business at hand, I want to recognize the magnificent performance of our Armed Forces and the coalition forces. Their professionalism and fighting-spirit has been inspirational. Although the loss of a single life is tragic, we can be thankful that we had so few casualties, especially after all the so-called experts projected enormous losses.

Mr. Chairman, the victory in the Persian Gulf was due in part to great leadership, in part to the outstanding men and women in our volunteer forces, and in part to the superior equipment and technology that this Nation's citizens have funded over the past 10 years. Despite the criticism of some of our major weapons systems by Members of Congress and defense experts, preliminary reports indicate that they all performed without difficulty.

Mr. Chairman, the victory over Saddam Hussein was not without cost. The purpose of today's hearing is to authorize the funding for this victory. We may have

some procedural differences with the Administration, but there is no doubt that the Congress should provide the funds necessary to maintain our military effectiveness.

I fully support the provision to provide legislative relief on force reductions for fiscal year 1991. After a flawless performance on the battlefield, it would be tragic to force out thousands of servicemen and women immediately after their return from the battlefield. We should all remember that our fighting forces are composed of volunteers who view the military as a career. They are not the draftees of World War II who were eager to resume their civilian lives.

The Congress has the responsibility to provide the funding for the ammunition, supplies and equipment expended in the battle. I also believe we have the responsibility to provide the necessary oversight to ensure these funds are spent in an appropriate manner. I therefore question if giving a blank check through the *Desert Shield Working Capital Account* is what the American public expects of their Congress.

Mr. Chairman, the victory in the Persian Gulf was won through the blood and sweat of the allied men and women who fought the battles. There are many nations who will benefit from the victory and I urge these nations to contribute to the cause. I am disappointed that the great economic powers of Germany and Japan have made pronouncement of support but have not yet lived up to the promise. Although I am confident the commitments by these nations will eventually be met, I hope they will not test the patience of our citizens.

Mr. Chairman, the battle in the Persian Gulf lasted only 100 hours, I hope that the battle of the supplemental request will last not much longer. I urge this committee and the Congress to act expeditiously on this request and give our men and women in uniform the same support in peace that we provided throughout the crisis.

Thank you Mr. Chairman.

Chairman NUNN. Mr. Davidson, are you going to lead off for us today?

Mr. DAVIDSON. Yes, I am, Mr. Chairman.

## STATEMENT OF HON. RON DAVIDSON, ASSISTANT DEPUTY COMPTROLLER, DEPARTMENT OF DEFENSE

Mr. DAVIDSON. Mr. Chairman and members of the committee, we appreciate very much the opportunity to come up before you and discuss the details of the administration's supplemental on Operation Desert Shield/Desert Storm and the authorization requirements for it.

The President's announcement yesterday was very welcome, and one which I think every citizen rejoiced in. However, the one thing that I think we want to at least always keep in mind is that we still do have a requirement for the supplemental and while a cease fire was welcome news, we still have substantial bills from Operation Desert Shield/Desert Storm that have to be financed and the cease fire has not changed that fact.

The President has repeatedly stressed—emphasized our efforts in the Persian Gulf, that they are a joint effort and a joint operation, and it is one in which all allies and all of our coalition partners are arrayed against Iraq, that it was not simply Iraq facing the United States but Iraq facing, really, the rest of the world, and that coalition and the contributions of those coalitions extend far beyond simply the military cooperation and the military effort which they provided.

It also included, as we know, financial support as well as the military support and also support in the United Nations for the 12 resolutions. Our allies provided a total of nearly 300,000 troops, over 750 combat aircraft, and 1,200 tanks.

It can also be seen, this contribution from our allies, in the form of the financial assistance which has been given to other front-line countries as well as the responsibility sharing which these allies have contributed and pledged for our cost for Operation Desert Shield/Desert Storm, and our allies have contributed or pledged 90 percent of our cost for calendar year 1990 for Operation Desert Shield and we are expecting substantial sums for calendar year 1991.

This degree of support is unprecedented, and it underscores the shared vision and commitment of a coalition, of our common goals, and the responsible recognition of the requirements that the whole world faces in the Middle East.

Now, as for our request, with this supplemental we are seeking $15 billion from the Congress today in new budget authority, plus the authority to use pledges, which are $53.5 billion for the Operation Desert Shield/Desert Storm effort. The readiness on the part of our allies to bear this large portion of the financial burden of the operations bodes well for both our efforts to militarily resolve the conflict and to build an enduring peace in the region.

Now, a few comments about the supplemental package itself. We have segregated this into two parts: the cost estimates of the effort presented both for the first 6 months of the year and on an annualized basis, also, identifying the notional cost for combat and also the financing methodology that we are proposing for this.

The cost estimating is based on quantifiable expenses for Operation Desert Shield and a force of over 500,000 men. We cannot predict, as you well know, I think, from having been over there, the cost of combat at this time. The variables, the intensity of effort, the weather, were impossible to predict at the time we submitted this supplemental and it was presented to recognize that fact. Certainly, with the cease fire, we should be learning more about that and are attempting to gather an estimate on what the actual cost was.

The financing side of the equation is a bit simpler. We propose to use the foreign contributions which have been accruing in the defense cooperation account to finance our costs for Operation Desert Shield/Desert Storm. It is our intention to use those funds to totally finance it, if at all possible.

Certainly, we have proposed a working capital fund of $15 billion as a bridge loan in the event that we do not receive contributions from our allies at a pace fast enough to meet our needs, but if at all possible, we will use those contributions from the allies and return the $15 billion to the Treasury, and that is our intention, if we collect the full value of what has been pledged, and we have every reason to believe that we will do that.

Chairman NUNN. In other words, if you collect everything that is pledged, the $53—point what, 5 billion?—you believe that our net cost, once this is over, for this year, not counting last year, but for this fiscal year, will be zero, is that right?

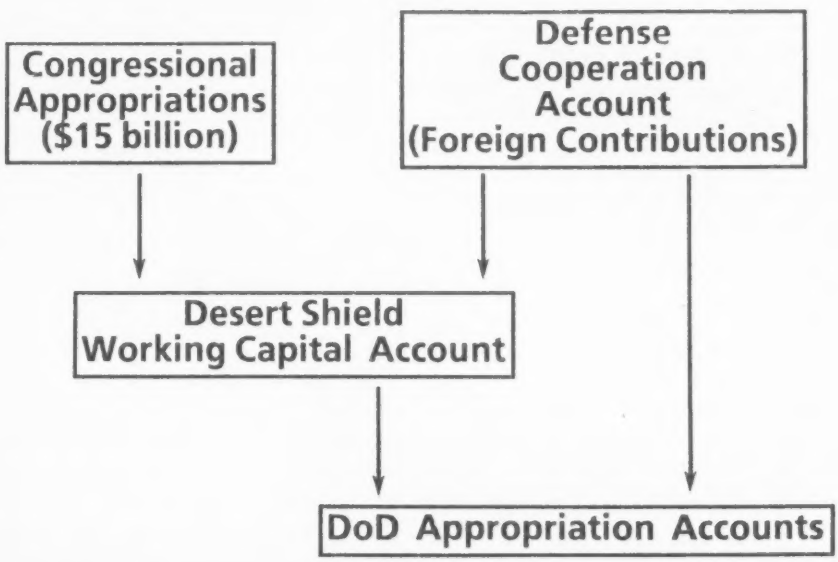
Mr. DAVIDSON. Yes. We think that, looking at it and recognizing the combat costs which indeed are going to require a substantial time to evaluate, because we have to consider what our long-term force structure is and what we replace and do not replace, but just looking at the Desert Shield peacetime cost that we have incurred

to date, plus the cost of the phase-down operation, as well as returning the troops, would fall within the limits of the $53.5 billion, and we are very hopeful that while we need the bridge loan because of concern about the pace that we receive those contributions, we are very hopeful that indeed the pledges from our allies will be enough.

It is important to remember that the Congress created the defense cooperation account and released $1 billion last October. This action, and the in-kind assistance we have received, has defrayed a portion of the cost thus far.

The balance has been met, of course, by advancing funds from the third and fourth quarter in our operating appropriations in order to pay the bills up to now, and to invoke the food and forage provisions. However, the food and forage provisions is a Band-Aid proposal, and with the cost that we have advanced from the third and fourth quarter we have gotten by, but it will not carry us through the end of the fiscal year.

**FY 1991 Desert Shield/ Desert Storm Supplemental Funding**


Congressional Appropriations ($15 billion)
Defense Cooperation Account (Foreign Contributions)
Desert Shield Working Capital Account
DoD Appropriation Accounts

Now, I have brought with me several charts which I will briefly run through just to graphically describe the situation of the supplemental. This first chart in a box fashion describes the financing which we are proposing and the financing plan which we are proposing for the supplemental.

The green block on the right, Defense Cooperation Account, is the recipient of the contributions from our allies, and you will see that we are expecting to transfer funds directly from that Defense Cooperation Account into our appropriations, our operating, military personnel, and so forth, and as I said a moment ago it is our

intention that, if at all possible, those funds will be all that we use to finance our requirements.

At the same time, however, we are asking for a $15 billion appropriation for the working capital fund with the idea that, as I said, it was a bridge loan and will supplement the contributions from the allies, if our funding needs exceed at any one point what our contributions are. It is also our intent to back-fill into that working capital fund from the Defense Cooperation Account when our contributions are built up in the Defense Cooperation Account.

DESERT SHIELD

CY 1990 Major Foreign Contributions [1]

[U.S. $ Million]

| Contributor | Commitments | Receipt | | |
|---|---|---|---|---|
| | | Cash | In-Kind | Total |
| Saudi Arabia | 3,339 | 807 | 854 | 1,661 |
| Kuwait | 2,506 | 2,500 | 6 | 2,506 |
| UAE | 1,000 | 870 | 111 | 981 |
| Japan [2] | 1,740 | 866 | 457 | 1,323 |
| Germany | 1,072 | 272 | 531 | 803 |
| Korea [3] | 80 | 50 | 21 | 71 |
| Others | 3 | | 3 | 3 |
| Total | 9,740 | 5,365 | 1,983 | 7,348 |

[1] Data as of February 22, 1991; in-kind receipts are as of January 31, 1991.
[2] Japan pledged $260 million to other coalition forces, for a total commitment of $2 billion.
[3] Korea pledged $15 million to other coalition forces, for a total commitment of $95 million.

This is a quick review of the description of the contributions that have been made to us for calendar year 1990. Pledges were $9.7 billion, and that compares with an $11.1 billion estimate that we have for calendar year 1990 Desert Shield cost. That is about 88 percent.

As the chart indicates, we received $7.3 billion to date, $5.4 billion of cash and $2 billion in in-kind contributions. The principal portion of what has not yet been submitted to us, which we have not yet seen, is in the Saudis, and that $1.7 billion represents costs which we incurred in-country and which literally we are collecting out of the accounting system and billing the Saudis, because we have an agreement with them that they would pay those costs.

Just this week, we are providing them with a bill for $1.1 billion of en route transportation costs for November and December that were incurred as part of the second build-up and which the Saudis have agreed to pay, and then in addition we are talking about the transfer in of everything from meals ready to eat, spare parts, items which were consumed in-country in November and December, and which were part of the host nation support agreement but which we, through our funding and our stocks, provided in those 2 months and which the Saudis have agreed to reimburse us for.

In the case of the Japanese and the Germans, which are the two largest elements of unreceived contributions for calendar year 1990, we are talking about equipment and material that is in transit, that has been identified by CENTCOM, and is being readied to come into the theater, and in most cases is underway already.

DESERT SHIELD

CY 1991 Major Foreign Contributions [1]

[U.S. $ Million]

| Contributor | Commitments | Receipts | | |
|---|---|---|---|---|
| | | Cash | In-Kind | Total |
| Saudi Arabia | 13,500 | 3,650 | 712 | 4,362 |
| Kuwait | 13,500 | 1,000 | 4 | 1,004 |
| UAE | [2] 2,000 | | 29 | 29 |
| Japan | [3] 9,000 | | | |
| Germany | 5,500 | 2,160 | | 2,160 |
| Korea | 305 | | | |
| Others | | | | |
| Total | 43,805 | 6,810 | 745 | 7,555 |

[1] Data as of February 22, 1991; in-kind receipts are as of January 31, 1991; commitments are through March 31.
[2] An additional amount above the $2 billion is under discussion.
[3] Under consideration by Diet.

Next we take a look at the 1991 contributions, and the pledges to date are $43.8 billion. That, combined with the $9.7 billion mentioned for calendar year 1990 is the $53.5 billion which you mentioned, Mr. Chairman.

We have received $7.6 billion against that thus far—$6.8 in cash and $745 million in in-kind contributions.

We expect to receive $1 billion this week—today or tomorrow—from Kuwait to add to this. The Japanese contribution is—none of it has been received at this point, but of course they have had to go to their Diet. The lower house of the Diet voted yesterday and voted in support of the $9 billion. I am told that the upper house will be addressing it next week, and at that point we are expecting a very substantial contribution from them.

Senator WARNER. You are projecting the upper House will go along with the lower?

Mr. DAVIDSON. Yes, we are.

FISCAL YEAR 1991 DESERT SHIELD INCREMENTAL COST ESTIMATE SUMMARY

[Billions of dollars]

| | Oct-Dec 1990 | Jan-Mar 1991 | Fiscal year 1991 |
|---|---|---|---|
| Military Personnel | 1.1 | 2.7 | 10.7 |
| Operation & Maintenance | 6.8 | 8.0 | 23.1 |
| Military Construction | 0.1 | 0.1 | 0.6 |
| Investment | 0.4 | 0.5 | 1.3 |
| Revolving Funds | | 0.3 | 0.8 |
| Fuel Price Increase | - 0.7 | 0.7 | 2.8 |
| Total | 9.1 | 12.3 | 39.2 |

This is a brief summary of the costs for Desert Shield—that is, noncombat cost for Desert Shield—broken out into three categories: what we have experienced in the first 3 months of fiscal year 1991, $9.1 billion, and then the January to March period of $12.3 billion, and then those estimates have been projected, annualized for a

total of $39.2 billion estimate for the whole of 1991 to give you an appreciation of what these costs look like in comparison with our total 1991 budget.

Given the circumstances, the cease fire, certainly it is not clear that the 1991 cost—how relevant it is going to be, but certainly it is going to take a great deal of time to phase down our forces, even just to sort out what the situation is on the ground.

Chairman NUNN. What were your assumptions on that total, $39.2 billion for fiscal 1991, in terms of how long the war would last?

Mr. DAVIDSON. First, Senator, these cost estimates do not include any estimate for combat.

Chairman NUNN. This is just the base line?

Mr. DAVIDSON. This is just the base line to put them over there, pay them, keep the people.

Chairman NUNN. But assuming you keep all of them there all year, is that correct?

Mr. DAVIDSON. That is correct, yes.

Chairman NUNN. That assumption itself means the base line is going to come down. In all likelihood, you are going to bring some of those forces back home. So the base line will not be as high as is shown here, right?

Mr. DAVIDSON. That is correct. In fact, let us take a look at the next and last chart.

**HOW FY 1991 DESERT SHIELD FUNDS WILL BE SPENT**
($ Billions)

- Desert Shield:
  - October - December 1990 — 9.1
  - January - March 1991 — 12.3
- Post Combat Phasedown Costs — 7.0
- Return of Personnel and Equipment — 5.2
- Production Surge/Accelerated Acquisition
- Replace Selective Assets

This is, I think, a more meaningful presentation of how we would see the cost. As I said the same October to December figure, $9.1 billion and then January to March, $12.3 billion. But just taking that assumption, that we would start a phase-down at the end of

March, then we would see the $9.1 billion and the $12.3 billion plus about $7 billion is which is associated with the phasedown period.

In other words, we recognize that it is going to take a number of months just to move all of those people and materials out of that country. If you will, it takes a lot more time to crate up something than it does to uncrate it or to put it into a pallet than it takes to just tear the pallet apart.

And we are looking at some substantial costs for the reservists, for the people, while we are preparing ourselves to leave the country. And then finally, the $5.2 billion is the cost to redeploy to the United States.

Senator COHEN. The $12.3 billion figure is the one that is going to change?

Mr. DAVIDSON. That is not really our expectation right now. I mean, that is our best estimate to keep the 500,000 in country plus, of course, the reservists we have, again, through March 31.

Now, you are right, Senator, if we should indeed start phasedown sooner in, we will say, the middle of March, then you are right, that number will get smaller.

Chairman NUNN. This is still baseline, is that right?

Mr. DAVIDSON. That is correct. None of these costs include combat.

Senator BINGAMAN. Can I just ask, what is that last category if it does not relate to combat?

Mr. DAVIDSON. We have two other items on that chart. The first was the production surge accelerated acquisition, which was an estimate we made of what we felt it would take to deliver in country critical items that, indeed, could be delivered to Saudi Arabia in the theater this fiscal year.

The second portion was production surge which was the funding we needed to surge certain production lines. We have submitted an estimate of around $6 billion for that. However, we recognize that given the circumstances, that is the cease fire, that it is going to have to be re-estimated because at the time we put that together it was unclear as to exactly how long hostilities would last.

The last item which you asked about is a notation, a reminder almost, that what we have to take a look at is the fact that we did lose F-18s. We did lose F-15s and Apaches. And we have to take a look at those assets and decide how many of those we want to buy back.

I say it that way because with our declining force structure down to 1995 where we are talking about some substantial reductions, it may very well be, as we look at what we think our inventory requirements are in 1995, that we may not want to replace some of the major assets that we lost.

Senator BINGAMAN. My only question is does this supplemental cover the replacement of assets that you determine you need to accomplish or do we see another supplemental later on to handle that?

Mr. DAVIDSON. First of all Senator, given that the cost we are talking about right now, that is the $9 billion and $12 billion, the $21 billion and about $30-some billion right there, it is certainly less than the $53 billion which we have been pledged thus far. It is very possible that the value of those pledges will pay for whatever

those selected procurements are. So it is not a foregone conclusion at all that we would want to request another supplemental.

I have no further comments, Mr. Chairman. I would turn it over to General Sullivan from the Army.

[The prepared statement of Mr. O'Keefe follows. The Desert Shield/Desert Storm Supplemental is retained in committee files.]

STATEMENT BY THE HONORABLE SEAN O'KEEFE, COMPTROLLER OF THE DEPARTMENT OF DEFENSE

FISCAL YEAR 1991 DESERT SHIELD/STORM SUPPLEMENTAL

Mr. Chairman, members of the committee, thank you for this opportunity to discuss the administration's fiscal year 1991 Desert Shield/Storm supplemental appropriations request.

The President, as you know, has underscored that our efforts in the Persian Gulf are part of an international effort—that the struggle is not Iraq against the United States, but Iraq against the world. This sharing of responsibility between different members of the coalition has taken many forms. Its most dramatic manifestation is the combined offensives being fought, even as we speak, with Saudi, Kuwaiti and other coalition forces fighting alongside U.S. service men and women. These coalition forces—as you all know from the news of the last few days—are doing a great job militarily as they seek to enforce the UN resolutions and unconditionally eject Iraqi forces from Kuwait. While we are all heartened by the success thus far of the coalition forces, one cannot predict with certainty the precise course of the war or the peace with Iraq. Nevertheless, we are confident we ultimately will prevail.

Over the past several weeks, the Secretary and the Deputy Secretary have testified that the administration believes the traditional Cold War threat—a massive, short-warning Warsaw Pact conventional attack into Western Europe—is very unlikely. This war against Iraq presages very much the type of conflict we are most likely to confront again in this new era—major regional contingencies against foes well-armed with advanced conventional and unconventional weaponry. Thus, the involvement of our allies in this conflict may have even greater implications for how we and they would respond to future regional conflicts.

This sharing of responsibility has proven very important in war, but could also help build an enduring peace, as we move from combat operations to enhancing international efforts to control proliferation to the region, limiting additional arms sales, and providing continued economic assistance to the recovering frontline states. We believe that the financial assistance that many countries are providing to Operation Desert Shield/Storm will encourage them to stay engaged in the region.

The types of support provided by the members of the coalition have been political, economic and military:

— The first, and most fundamental, demonstration of this responsibility-sharing has been in the United Nations in support of the 12 resolutions that form the core of the coalition mandate in its action against Iraq.

— This responsibility-sharing also can be seen in the presence of over 60 warships from many nations in the naval blockade since the invasion.

— Nearly 50 nations have made a contribution to the coalition's military effort; about 35 countries have personnel in the area of operations. Our allies have committed nearly 300,000 troops and over 750 combat aircraft, 1,200 tanks, and the above mentioned warships to the coalition facing Iraq.

— The same spirit of shared responsibility can be seen in the packages of financial assistance for the frontline states. For example, by early this month, $14.3 billion had been committed for the August 1990-December 1991 period for Egypt, Turkey, and Jordan, and numerous other countries contributing to the international coalition against Iraq. Disbursement of approximately $6.7 billion had occurred by early February, mainly in the form of balance of payments grants and highly concessional loans, in-kind assistance and project loans. Substantial additional disbursements are being made in the coming weeks.

We meet this morning to review our very great success in another aspect of responsibility-sharing. As detailed below, once all the 1990 commitments of our allies are fulfilled, they will have contributed cash, goods, and services, that will cover over 85 percent of our estimated 1990 Desert Shield requirements. For 1991, we expect our allies to continue their commendable record of contributions.

This degree of support from our allies is unprecedented, and it underscores the shared vision and commitment of the coalition to our common goals in the Persian

Gulf. This readiness on the part of our allies to bear such a large portion of the burden in our Gulf efforts bodes well both for our efforts to militarily resolve the conflict, and to build an enduring peace in the region thereafter.

MAJOR PROVISIONS OF THE FISCAL YEAR 1991 SUPPLEMENTAL

Last fall's budget summit agreement specified that incremental costs associated with the Persian Gulf crisis would be treated as emergency funding requirements, not subject to the defense caps in the agreement. Consequently, the President's recently submitted fiscal year 1992-1993 defense budget request and its projected long-term outlays do not reflect those costs. Fiscal year 1990 incremental costs of Desert Shield and increased fuel prices were covered by shifts in previously appropriated DOD funds ($800 million) and by a supplemental appropriation ($2.1 billion). We now have presented to Congress a request to cover fiscal year 1991 incremental costs of Operation Desert Shield and Desert Storm, at least in part.

Because it is impossible to predict accurately future operational requirements in so uncertain a situation, this supplemental does not purport to estimate definitively or necessarily fund completely what might be the eventual total cost of the war and the subsequent redeployment of U.S. forces. Rather, the primary intent is to obtain approval for a funding plan to cover our immediate and known operational requirements, to include establishing a mechanism for spending foreign contributions most effectively, in order to offset U.S. costs as much as possible. It is too early to tell whether this supplemental will cover all our fiscal year 1991 incremental costs. But it will allow us to retire many of our known expenses and to manage our funding requirements without having to come back to Congress right away or frequently, or before we have a better estimate of the eventual total cost of Desert Shield/Storm.

The fiscal year 1991 Desert Shield/Storm supplemental proposes the establishment of a Working Capital Account, and requests $15 billion in new budget authority to be authorized and appropriated into the Account. This is needed to provide the Department of Defense (DOD) with the necessary funds and flexibility to meet immediate operational requirements until sufficient allied contributions are received, and to accelerate production of essential items.

This $15 billion in new budget authority, plus the $53.5 billion pledged by our allies, could prove sufficient to cover all our Desert Shield/Storm incremental costs. But it will be a while before we know that. More new budget authority might be needed. On the other hand, we may not need the full $15 billion; and our supplemental proposal would give DOD the authority and flexibility to use offsets and allied contributions to achieve that if at all possible.

The supplemental also requests the authorization and appropriation of allied contributions deposited into the Defense Cooperation Account and approval for the subsequent transfer of these funds, as needed, to specific DOD appropriation accounts, in order to cover Desert Shield/Storm costs. This would parallel the flow from the Working Capital Account into DOD appropriation accounts.

To redirect already appropriated monies within DOD, the supplemental requests the transfer—from Guard and Reserve Military Personnel and Operation and Maintenance (O&M) accounts—of funds no longer needed for their original purposes to the active Military Personnel and O&M accounts. This action reflects savings in the Reserve account from the callup of large numbers of Guard and Reserve personnel to active duty.

Once appropriated, funds in the Working Capital Account and Defense Cooperation Account would be used in a specified priority.

First priority would be to finance our fiscal year 1991 Desert Shield baseline costs, through March 1991. The term "baseline" refers to the cost to maintain and support our forces without hostilities. Hostilities add a highly unpredictable daily cost to a fairly steady baseline Desert Shield cost.

Our baseline Desert Shield costs are estimated to be $9.1 billion for October through December 1990 and $12.3 billion for January through March 1991. DOD has been financing these costs out of our regular appropriations, principally from the Military Personnel and Operation and Maintenance accounts. Since the military services will soon run out of authority to obligate additional funds for Desert Shield, Secretary Cheney has authorized the obligation of funds in excess of available appropriations, in accordance with section 3732 of the Revised Statutes, pending passage of the supplemental. Covering these ongoing costs will be our first priority.

Our second priority for newly appropriated funds will be for the production of missiles, ammunition and selected other items that are needed by our Desert Shield forces or will have to be replaced as a result of it. Much of this money is critical to ensuring that our industrial base remains capable of producing the items we will need.

Third priority will be $7 billion to cover estimated costs during an orderly phase-down, after hostilities end. This includes the cost of personnel, fuel, in-theater support, and appropriate operations tempo (OPTEMPO).

Fourth priority is the $5.2 billion we estimate it will take to return personnel and their equipment to Europe or the United States. This includes transportation, replenishment of prepositioned and war reserve stocks, return of reserve ships to non-deployed status, and payments for accrued leave of reservists.

The Department also is requesting two general legislative provisions. One would amend the fiscal year 1991 Authorization Act, which provided flexibility with respect to the end strengths of active duty personnel, in connection with Operation Desert Shield; we are requesting similar flexibility with respect to the end strengths of the Reserve components, and for the number of members of the National Guard and Reserve serving on active duty in connection with the administration and management of the National Guard and Reserve. The second provision would permit—during a time of war or national emergency—the suspension of ceilings on the number of senior enlisted personnel on active duty. Timely passage of both these provisions will help DOD through the enormous manpower management challenge that will face us in the aftermath of our Gulf operations.

FISCAL YEAR 1991 DESERT SHIELD COST ESTIMATES

This supplemental makes no assumption about when the war will end, and does not attempt to estimate its total cost. However, the administration's submission does discuss what a day of combat might cost, over and above the baseline cost of sustaining U.S. forces in the theater, absent hostilities. Costs for a day of combat would stem from increased OPTEMPO, maintenance, prisoner support, medical transportation, ammunition, missiles, and lost or destroyed equipment.

All Desert Shield-related cost estimates consider only incremental costs. By "incremental" we mean costs that are directly related to the Gulf crisis and are in addition to funds already budgeted for the forces involved. For example, incremental Desert Shield costs for an Army division are those that are over and above the budgeted amounts it would have spent if it had not deployed. The bulk of those incremental costs are due to the increased operating tempo and other preparations for possible combat under harsh environmental conditions.

Incremental costs are distinguished from total budgetary costs in that they are derived by subtracting previously budgeted funding. Incremental costs do not include previously budgeted funds for pay, training, maintenance, and new equipment for active forces deployed to the Gulf area.

Estimating incremental Desert Shield costs has been complex and difficult. At the source of the process, USCENTCOM and other participating commands put together estimates of their total Gulf related costs. The military services and defense agencies then validated these estimates and subtracted—when applicably—any fiscal year 1991 appropriated amounts that will be foregone, to derive incremental costs. Finally, the DOD Comptroller staff scrutinized these estimates to ensure that they were properly priced, legitimately attributable to the crisis, and consistent in their derivation across all military services and defense agencies.

In sum, DOD's estimating procedures have been rigorous and, we believe, have produced sound cost estimates.

*Baseline Desert Shield Costs*

Our baseline Desert Shield costs cover the deployment and support of U.S. personnel in and around the Arabian Peninsula, absent hostilities. Costs include the reserve callup, imminent danger pay, transportation, fuel, in-country support, increased OPTEMPO, and special equipment. While the estimates discussed above cover only the first half of fiscal year 1991, we have generated cost estimates for the whole year. Our full fiscal year 1991 Desert Shield estimates are based on past and projected troop levels, support requirements, and other factors. To maintain our baseline Desert Shield force, fiscal year 1991 incremental costs would total $39.2 billion. This estimate for the full fiscal year was formulated because this is the frame of reference in which we normally deal. It does not imply that we expect our operations to continue for the entire year.

*Military Personnel.* The Military Personnel categories of our fiscal year 1991 Desert Shield baseline costs total $10.7 billion. During the Gulf crisis, over 200,000 Ready reservists have been called to active duty. Current plans project the total reserve callup to reach 346,000 before the end of April. These reservists primarily are needed for critical combat service support. We need pilots, navigators, loadmasters, munitions handlers, aircraft maintenance, medical services and other specialities.

The incremental fiscal year 1991 cost of these activated reservists is estimated to be $8.4 billion.

By the beginning of fiscal year 1991, 250,000 personnel were eligible for imminent danger pay at $110 per month. With the continued buildup, the number has increased to well over 500,000—for an annual cost of about $700 million. Additionally, over 100,000 personnel above budgeted levels will be on active duty during fiscal year 1991, at an annual cost of $1.7 billion.

We have relied heavily on Guard and Reserve volunteers for Desert Shield. In the early months, about 7,000 volunteers provided support for airlift, air refueling, and other missions. This is expected to increase to 10,000, for an annual cost of about $600 million. For fiscal year 1991, about $600 million would be saved in Reserve and Guard accounts, by virtue of the callup; activated reservists do not perform annual training and are paid as active duty personnel.

*Operation and Maintenance.* O&M costs constitute nearly 60 percent of the annualized Desert Shield baseline cost of $39 billion. The OPTEMPO component reflects major increases above budgeted levels: 1,200 (vice 800) miles per year per Army combat vehicle; and 90 (vice 50.5) steaming days per quarter for deployed Navy ships. Our estimates reflect over 260,000 additional Navy flying hours and 110,000 added Air Force hours.

In-country support includes leasing of heavy equipment, buses, and other transportation; also potable water, refrigeration, laundry services, utilities, refuse collection, increased security, communications, messing and other logistics. Incremental subsistence costs include Meal Ready to Eat rations, plus enhancements such as bread, milk, and fresh fruit.

The harsh environment and intensive use of equipment requires a substantial increase in maintenance of weapons and equipment. Medical costs reflect an increase of over 350,000 eligible CHAMPUS beneficiaries, as well as preparations to receive and treat casualties. Other support includes communications, map production, welfare and recreational programs, additional training, and TDY support.

*Investment*

It is impossible right now to estimate how much equipment, ammunition and other items we will need to buy as a result of the Gulf operation. However, we now must appropriate funds to do some of that buying, even though our losses or consumption rates are not yet known. To do that, the supplemental distinguishes between two categories of required investments. In the first are items that are of immediate benefit to the forces in theater and that can be delivered by September 30, 1991. This includes combat support materiel that the theater commander believes is needed to maximize the capabilities of his forces. We estimate the fiscal year 1991 cost of these items will total $862 million.

The other category of investment are production surge items. These are munition items that are being consumed in Gulf operations. The primary purpose of funding these now is to guarantee the ability of our industrial base to sustain the supply of these items. Some items we may need quickly, depending on how the conflict proceeds. Others will be needed to replenish stocks after the war. Delivery of production surge items will occur during the fiscal year 1991 funded delivery period. Examples of production surge items:

— For the Army: Patriot, Hellfire, and TOW missiles; ATACMS missile system, MLRS rockets, and certain ammunition.

— For the Navy and Marine Corps: HARM and Tomahawk missiles, and various rockets, bombs, and ammunition.

— For the Air Force: Maverick missiles, and various bombs, flares, and munitions.

Production lines for many of the above items have already been surged; the supplemental is necessary to bridge a production gap that would result from accelerating previously contracted deliveries. For other items, funding is needed now to ensure that production lines "stay warm"—even though we cannot yet determine how much restocking will be necessary.

### ALLIED CONTRIBUTIONS FOR OPERATION DESERT SHIELD/STORM

Operation Desert Shield/Storm is part of an effort that is truly multinational in scope and character. In that spirit, U.S. requirements incident to deploying and sustaining the largest force in the Gulf area will be substantially offset by contributions from our allies.

Some of this allied cost sharing comes in the form of direct financial assistance. Cash received is deposited in the Defense Cooperation Account, established by Congress as part of the fiscal year 1990 Desert Shield Supplemental Appropriation. De-

posits to the Account are invested in 90-day Treasury securities. Account funds do not become available for obligation by DOD until after they are appropriated by Congress, as is being requested in this supplemental. The Department has used a mutually agreed reporting mechanism to keep Congress fully informed on the status of allied contributions and other transfers to the Defense Cooperation Account.

The other form of allied cost sharing is in-kind contributions—goods and services provided to U.S. forces directly. Most prominently, this includes Saudi Arabia's commitment to provide all host nation support for U.S. forces, both on its soil and in the surrounding waters. This host nation support includes food, fuel, water, facilities, and local transportation. In-kind contributions from other nations include materials, supplies, airlift, and sealift.

Commitments to us from our allies now total $53.5 billion. According to our latest recapitulation, we have received $14.9 billion in allied contributions so far. However, there is a considerable delay between the time in-kind assistance is rendered and the time we can officially account for it. Once all the calendar year 1990 commitments of our allies are fulfilled, they will have contributed $9.74 billion in cash, goods, and services toward U.S. calender year 1990 requirements, estimated to be $11.1 billion. That comes to over 85 percent.

CLOSING

The cooperation and commitment of the many nations aligned against Iraq's aggression have been extraordinary. Now as we near the achievement of our collective goal, it is time to sort out the costs and arrange for payment of them. As we do that, we as a nation can be encouraged by the contributions in all their many forms of the other nations that have shared our resolve to right this wrong. And all people yearning for a more peaceful and just world order should be exceedingly proud of the military men and women who have performed so superbly and sacrificed so much on behalf of that noble end.

Chairman NUNN. Okay. Everything you showed us there was base line. None of this involved the cost of war.

Mr. DAVIDSON. That is correct.

Chairman NUNN. When do we get that picture?

Mr. DAVIDSON. Well, we are working on that, and that is, at this point, hard to say. Certainly, the bookkeepers have not kept up with the men in the tanks and right now we do not have an estimate on that simply because we just do not know what all has been fired off.

So to speak, the bean counters are taking second place right now. And so I do not have an exact figure for you on that. We are certainly attempting to do that right away.

Chairman NUNN. Is it your expectation this $15 billion revolving account is going to cover that also? There is going to be enough counting the pledges, in other words, or is the money you are asking for now to be authorized anticipated to cover the cost when you consider the pledges and the rotation?

Mr. DAVIDSON. I think that is a likely possibility, yes. I would say the chances of that are pretty good.

Chairman NUNN. General Sullivan.

## STATEMENT OF GEN. GORDON R. SULLIVAN, USA, VICE CHIEF OF STAFF, U.S. ARMY

General SULLIVAN. Mr. Chairman, Senator Warner, and members of the committee, it is a pleasure to be here this afternoon to discuss the Operation Desert Storm supplemental.

I have prepared a statement which I will submit for the record.

Chairman NUNN. All of your statements will be put in the record without objection.

General SULLIVAN. I would like to begin, first of all, by thanking this committee for your help directly in this operation. Your expeditious handling of the PAC II, that is the Patriot PAC II reprogramming in 22 minutes enabled us to surge production. I think that is worthy of note. So I would like it to be shown that we are appreciative.

Chairman NUNN. That is a little faster than normal. [Laughter]

General SULLIVAN. Yes, sir, that is. The Army's estimates of the incremental costs for Operation Desert Storm are $29.3 billion. The in-country expenses and all of the expenses have been itemized in my submission so I will not go through the details of that, but I would like to take a few minutes to discuss the future and what is coming.

Chairman NUNN. General, I do not want to interrupt, but I hope if any of you go off the base line and you are talking about the cost of war, you will tell me. You are still on the base line?

General SULLIVAN. Yes, sir, I am on the base line.

Chairman NUNN. Nobody is going to talk today about numbers, about how much the actual war cost. The base line is what it would have cost to keep those level of forces we have over there as of January 1, over there for the whole year.

General SULLIVAN. Yes, sir.

Chairman NUNN. Fiscal year or calendar year?

General SULLIVAN. For me, it is fiscal.

Mr. DAVIDSON. It is fiscal year, Senator, yes.

Chairman NUNN. But we are starting with the calendar year.

Mr. DAVIDSON. That is right. We have broken into some calendar year blocks.

Chairman NUNN. It is a 9-month fiscal year because we covered the quarter of the fiscal year in that last chart.

Mr. DAVIDSON. Yes.

General SULLIVAN. What I would like to do is take a few minutes to discuss the redeployment and reconstitution of the Army forces that must take place now that hostilities have concluded. By reconstitution I mean returning the deployed units to their pre-hostility levels of capability, something that Army units at every level do at the completion of any operation, as you know.

We are also facing a 30 percent reduction in the Army in the mid-1990s, and I cannot emphasize or overemphasize the importance of getting out of Saudi Arabia correctly and doing this redeployment properly. This is really important to us because in the last 14 months U.S. forces and the Army have been committed to significant combat operations twice.

It seems clear that in this post-Cold War era we cannot take time out to reshape ourselves at the conclusion of an operation like Desert Storm. We must, therefore, redeploy ourselves, reconstitute ourselves, and at the same time reshape ourselves while maintaining our readiness worldwide. This is not, as you know, a simple task.

I sincerely hope that we, and I think we have in the Army, learned our lessons from past post-war activities. Our history is replete with examples of debilitating drawdowns followed by a conflict leading to poor performance by the Army in the initial stages of the next crisis. We must not allow our trained and ready forces

to be ravaged by turbulence that could result from an unnecessarily hasty builddown. The stakes are too high.

Let me give you a perspective on the challenges that we face. First, we must take care of our people. We must, in accordance with the CINC's plans and his concepts, redeploy over 300,000 soldiers from Saudi Arabia and release almost 150,000 reservists from active duty. There are 20,000 active soldiers who have been involuntarily retained on active duty that we also must release. This must be done in a manner befitting their service to their country.

It seems clear that with the strength of the active Army approaching 1 million soldiers—and by the way, we started this conflict at about 727,000, and we are now approaching 1 million—we will not be able to meet fiscal year 1991 end strength targets for the Active force. We should examine the possibility of slipping that planned reduction 1 year to permit us, and I believe the rest of the services, to properly recover from Operation Desert Storm and to efficiently begin our post-Cold War reductions.

Chairman NUNN. General, let me ask you, I think we are going to hear from each of the services and I have indicated several times that I think we have got to make adjustments. I have no doubt about that. The philosophy of our personnel reductions last year was to move down to about 20 percent to 25 percent over 5 years, but to do so in a non-disruptive way so that we did it out of retirements and attrition and that sort of thing.

But let me ask this, are you saying the numbers that came up here in the request, the budget request, are not the numbers we are going to have to live with? You cannot live with the numbers that came in the request?

General SULLIVAN. No, sir, not for fiscal year 1991. We believe it will have to be pushed out for a year.

Chairman NUNN. Okay, second question. Mr. Davidson, are you considering this part of the base line cost?

Mr. DAVIDSON. Yes, the base line cost does include through the end of fiscal year 1991 the additional costs associated with higher manpower levels. If I understand your question, sir.

Chairman NUNN. What we had here was a 5-year personnel plan where, it seems to me, you are going to come close to making that over 6 years. I am not sure exactly how that is going to play out.

Mr. DAVIDSON. Right, whether it is over 6 years or whether—what we have is a steeper slope or a slightly steeper slope so we can come to the same end point is another question. And that is one we are going to look at.

Chairman NUNN. Doing it over 5 years, but doing it much less on the front end and more on the back?

Mr. DAVIDSON. That is correct.

Chairman NUNN. We are going to spend more money in personnel, obviously, over the next year, the next year, then we would have probably over the next 3 years, maybe over the next 5 years. What I am asking you is, have you plugged that in to the cost that we are charging to the Desert Storm/Desert Shield account that our allies will help participate in?

Mr. DAVIDSON. Not at this point. No, we have not. Certainly, I think that is an incremental cost because the only reason we are talking about it is because of Desert Shield.

Chairman NUNN. It seems to me it needs to go in there, otherwise we are paying 100 percent of what we ought to be paying 15 percent, 20 percent, or 25 percent of. That is a clear cost because we never would have done it this way. We have already had it in law. It is clear we were going to do it the other way.

Mr. DAVIDSON. Of course, when we put the estimate together, the base line estimate, we only made it for fiscal year 1991. And certainly we just were not willing to attempt to forecast what our manpower levels would be like, what our requirements would be beyond the end of fiscal year 1991. And even that was a far out estimate.

Chairman NUNN. One other question, then I will go back to General Sullivan. What about the 1992 budget? Does it take into account, in looking at the 1992 end strength, the fact that you are going to end up with a much higher 1991 end strength?

Mr. DAVIDSON. It does not. The 1992 budget is, if you will, would be a non-Desert Shield base line budget with the end point at the end of fiscal year 1992 in the budget submission, not taking the impact of this Desert Shield activity into account.

Chairman NUNN. So the base line up there is going to have to be adjusted upwards rather substantially on that account? But maybe it will come down for other reasons.

Mr. DAVIDSON. That is correct.

Chairman NUNN. Okay.

General SULLIVAN. In addition to the personnel, sir, we will have to bring our equipment to pre-war levels of readiness, as you know, and return it to unit, POMCUS, or war reserve locations. This is not going to be an easy task as we have over 7,500 combat vehicles and 1,500 aircraft in the theater today.

Third, we must replenish our supplies and war reserve stocks. I should note here that our plans for the redeployment and replenishment of stocks, as was pointed out earlier by Mr. Davidson, take into consideration the future end state of the Army. For example, we are structuring our plans to avoid shipping equipment to Europe only to have it returned to the United States next year as units inactivate.

Fourth, we must return to individual unit and leader development training programs that were so essential to the Army's success in the current operation, and will be to preparing our soldiers for future crises and contingencies.

A managed builddown from Operation Desert Storm, accompanied by the requisite legislative and fiscal relief, which we were just talking about here, is essential for the Army to begin to reshape itself for the future.

Mr. Chairman, the U.S. Armed Forces executing Operation Desert Storm today are the best in the world. I think we proved that. I do not believe any other armed forces could have accomplished what the American Armed Forces have accomplished in a 100-hour ground war. This magnificent performance was made possible through the vision of your predecessors and our predecessors in the Army with the support of the American people.

We now have to be careful that we exercise the same vision that got us here today. We have to be careful that we do not throw

away these hard-won capabilities we just demonstrated on the battlefield.

We, in the Army, have a plan to reconstitute the force and to reshape ourselves in accordance with your guidance to a smaller, more capable force for the future. And we need your support to carry it out.

Thank you, sir.

[The prepared statement of General Sullivan follows:]

PREPARED STATEMENT BY GEN. GORDON R. SULLIVAN, VICE CHIEF OF STAFF, U.S. ARMY

THE FISCAL YEAR 1991 DESERT SHIELD/STORM SUPPLEMENTAL APPROPRIATION

Mr. Chairman and members of the committee: It is a privilege for me to appear before the committee to discuss the supplemental budget request for fiscal year 1991 to fund the Army's participation in Operation Desert Storm, the most rapid and most successful application of U.S. combat power in our Nation's history. Today I will briefly cover the Army's incremental funding requirements for the operation and for the reconstitution of the force following the conclusion of hostilities. I will conclude with a few words about the importance for the future of prudently building down the Desert Storm Army.

The Army's estimate of incremental costs for Operation Desert Storm that will be incurred in fiscal year 1991 is $29.3 billion. The major expenses come in the areas of military personnel, most notably to support the call-up of almost 150,000 Reserve component soldiers; operations and maintenance; investment; and the redeployment and reconstitution of the force.

MILITARY PERSONNEL

The deployment of over 300,000 soldiers and their equipment to Saudi Arabia and successful AirLand campaign were truly joint efforts that involved the Total Force. To date the Army has deployed over seven divisions into the theater and called up almost 150,000 Reserve component soldiers in over 1,000 units from virtually every State, the District of Columbia, Puerto Rico, and Guam. Thousands of these Reserve component soldiers are serving overseas in Saudi Arabia, and many others are serving in the continental United States (CONUS) and in Europe filling critical functions left vacant as active soldiers deployed to Saudi Arabia.

The incremental personnel costs of the operation are just over $6 billion, the bulk of which (over $5 billion) will be used to pay the Reserve component soldiers called to active duty. The balance will be used to pay Imminent Danger Pay to personnel in and around the Arabian Peninsula and family separation allowance to deployed soldiers. It will also cover the costs of the additional personnel retained on active duty over our fiscal year 1991 authorizations under the Stop Loss Program.

Our volunteer soldiers, sailors, airmen, and marines have served and served well in routing the world's fourth largest Army while minimizing U.S. and civilian casualties. Their contributions should not be forgotten as the euphoria of victory wears off.

OPERATIONS AND MAINTENANCE

Moving the personnel, vehicles and equipment of over seven divisions and developing the infrastructure to support them was a substantial undertaking. Sustaining them in country was even tougher. As such, operations and maintenance funding accounts for almost two-thirds of the Army's supplemental request.

The deployment of Army forces involved moving personnel, supplies, and equipment by both air and sea from Europe and the United States. The supplemental includes funds for the Army to reimburse the Military Airlift Command and the Military Sealift Command for the movement into the theater. This includes over 1,700 C-141 missions, over 800 C-5A missions, almost 1,000 commercial air missions, and over 30,000 sailing days on Fast Sealift Ships, ships of the Ready Reserve Force, and U.S. and foreign flag carriers. The cost of moving our soldiers and equipment to Saudi Arabia and of continuously moving replenishment supplies and materiel to the theater is $3.5 billion.

The Arabian Peninsula is one of the harshest environments in the world for people and equipment, and, with the exception of the superb port and airfield facilities, there was little existing infrastructure to support such a large deployment. For

the most part, our support infrastructure had to be built up out of the bare desert. The funds for this are included in the supplemental.

Other operations and maintenance costs included in the supplemental are increased maintenance costs, in-theater modernization, and subsistence. All major Army ground and air systems are operating superbly, exceeding Army performance and readiness goals. Yet initial indications are that desert operation puts about three times the normal wear and tear on equipment. This factor, combined with the higher operating tempo required by the preparation for and the conduct of combat operations, is expected to substantially increase the Army's maintenance costs. Additionally, the Army conducted an in-theater modernization program to equip our soldiers with the most capable systems possible. This required moving a variety of equipment—M1A1 tanks, Bradley fighting vehicles, Heavy Equipment Transporters, and the latest logistical support vehicles—from depots and storage facilities worldwide and issuing them to our soldiers in Saudi Arabia. Finally, the Army has been the DOD Executive Agent for feeding U.S. forces in theater since January 15, providing all soldiers assigned to Operation Desert Storm with three meals a day.

### INVESTMENT

The Army's investment requirements for Operation Desert Storm can be divided into two categories: those items that are of immediate benefit to our soldiers and production surge items, the munitions that are currently being expended in the operation. The former category includes aviation avionics enhancements, M1 Abrams tank modifications, additional 5,000 gallon water trailers, and additional chemical/biological defensive equipment. The latter, up until a few days ago, primarily included the replenishment of Patriot, Hellfire, and ATACMS missiles and MLRS rockets. The ground campaign will undoubtedly add new requirements to this list.

### REDEPLOYMENT AND RECONSTITUTION

As in any military operation, the Army's commitment to Operation Desert Storm includes the obligation to prudently reconstitute the force once hostilities are concluded. By reconstitution I mean returning deployed units to their pre-hostility levels of capability. I cannot overemphasize the importance of properly accomplishing this following the conclusion of hostilities.

Let me give you an idea of the challenge facing the Army. First, we must take care of our people. We must rapidly, but not hastily, deploy over 300,000 soldiers from Saudi Arabia and release approximately 150,000 reservists and 20,000 active soldiers involuntarily retained on active duty through the Stop Loss Program. This must be done in a manner befitting soldiers that have served their nation well. Second, we must return our equipment to prewar levels of readiness and return it to unit locations and/or POMCUS or war reserve locations. This will be no easy task as we currently have over 7,500 combat vehicles and over 1,500 aircraft in theater. I should also note here that our plans for the redeployment take into consideration the future end state of the Army for the mid-1990s. For example, we are structuring our plans to avoid shipping equipment to Europe, only to have it returned to the United States next year as the unit inactivates. Third, we must replenish our supplies and war reserve stockages. Fourth, we must return to the individual and leader development training programs that were so essential to the Army's success in the current operation. We must accomplish all this quickly and efficiently to ensure that we have the smallest possible decrement to the readiness of our forces.

### POST-DESERT STORM

The focus of the Army today necessarily goes beyond Operation Desert Storm. We are attempting to simultaneously meet the requirements of two other critical tasks. First, we must maintain a trained and ready force to meet ongoing commitments worldwide and for rapid reaction in unforeseeable contingencies. Second, we must continue to shape the Total Force for the future.

While these two tasks are not directly related to the supplemental request that we are considering today, it is imperative that we keep them in mind as we consider the funding for Operation Desert Storm. In the last 14 months, U.S. forces have been committed to significant combat operations twice. Both operations required the rapid projection of combat power from the United States and from Europe. It seems clear that in this turbulent post-Cold War era we cannot take a "time out" to reshape the force at the conclusion of Operation Desert Storm. We must not allow our trained and ready forces to be ravaged by the turbulence of an unnecessarily hasty build down.

Further, the Army remains committed to a rational plan for significantly reducing the size of the Total Force over the next 5 years. We have submitted that plan as part of the fiscal year 1992/1993 budget. As submitted, this budget is based on the Army attaining designated fiscal year 1991 end strength levels by the end of this fiscal year. It seems clear that with the strength of the active army (including those reservists on active duty) approaching 1 million soldiers, we will not meet this target. As such, a managed build down from Operation Desert Storm, accompanied by the requisite legislative and fiscal relief to permit this, is essential if the Army is to credibly begin shaping itself for the future. We should examine the possibility of slipping the planned reductions 1 year to allow the services to properly recover from Operation Desert Storm and to begin their post-Cold War reductions.

CONCLUDING STATEMENT

The U.S. Armed Forces that are executing Operation Desert Storm today are the best in the world. I do not believe that any other armed forces could have accomplished what the American Armed Forces have accomplished in the current crisis. This magnificent performance was made possible through the vision of our predecessors, yours and mine, and the support of this committee and the American people. It is our turn to exercise the same far-reaching vision that got us where we are today. We must take care not to throw away the hard won capabilities of the past decade by forcing a precipitous draw down of forces at the end of the war.

Today as coalition forces stand on the verge of achieving the President's objectives, your support for the quick approval of this supplemental and the accompanying legislation waiving the fiscal year 1991 end strength and enlisted grade ceilings is essential to the successful completion of the conflict and to set the stage for the future. We have a plan to reconstitute the force, and to continue reshaping a smaller, capable Total Force for the future. We need your patience and support to carry it out. Thank you, Mr. Chairman.

Chairman NUNN. Admiral Johnson.

## STATEMENT OF ADM. JEROME L. JOHNSON, USN, VICE CHIEF OF NAVAL OPERATIONS

Admiral JOHNSON. Mr. Chairman, distinguished members of the committee, I would like to take a few minutes to highlight some of the Navy's participation with coalition forces in Operation Desert Storm which supports our request for the supplemental today.

From the Navy's point of view, this crisis again demonstrated our requirement for forward deployed available naval forces. The ships we had in the Persian Gulf and in the Indian Ocean rapidly responded with the early arrival of the U.S.S. *Eisenhower* and U.S.S. *Independence* carrier battle groups to give the President leverage in the crisis.

To date, we have incurred combat losses of several aircraft and damage to two ships. The operations have proceeded very well and have not been hampered by funding considerations. The Navy appreciates your continuing support.

One of the major items in our supplemental request is transportation cost. The Navy strategic sealift response to the Persian Gulf crisis has been a logistical achievement of historic proportions. When Operation Desert Storm commenced on January 16, the 223 ships of the Military Sealift Command had off-loaded more than 12 billion pounds of cargo to support U.S. air forces and ground forces. This equates to approximately 95 percent of all material and equipment in the region, and the transportation cost of moving personnel and supplies through the Military Sealift and Airlift Commands are considerable.

Another major cost associated with Operation Desert Storm comes from an increase in military personnel accounts to support

the reserve call-up. Most are medical personnel—doctors, nurses and corpsmen—in direct support of our fighting forces and their families back home, and we could not have done this job without them.

Operating tempo is obviously much higher than would have occurred without this excursion. In support of the President's decision to cease the flow of economically important materials to and from Iraq, the Navy immediately commenced a massive maritime intercept operation while beginning to sail additional forces to the region. On January 16, we had six carrier battle groups, two battleships and a 31-ship amphibious task force in the region, operating in the Red Sea, Persian Gulf and the Arabian Sea.

To accomplish this significant effort, our surge in operating tempo includes increased maintenance and usage of repair parts, activation of Reserve Navy aircraft squadrons, deployment of fleet air support squadrons, and the other forces described earlier.

Also, additional flying hours were required, and steaming days were increased to 90 days per quarter, above the programmed 50.5 we normally fund for forward deployed forces.

The Navy has expended a significant amount of ordnance in support of our effort against Iraq, and flying hours have been increased accordingly. Our carrier-based aircraft have flown over 18,000 sorties and delivered thousands of tons of munitions, including the first combat use of stand-off land-attack missiles.

Our surface ships and submarines demonstrated their striking power with highly successful strikes into Iraq with Tomahawk missiles, and because of this, we intend to utilize some of the supplemental requested for surge production for weapons, including HARM and Tomahawk.

Before ending my statement, I must mention two principal reasons for the Navy's success in Operation Desert Shield and their contribution to the joint forces and coalition forces. First is our sailors and our training. None of you on the committee need to be reminded of the truly remarkable sailors and marines, soldiers and airmen who have served our country so well. All the high tech weaponry in the world is meaningless without them.

The second element of that success lies with the sound decision and strong support over the last decade from this committee and others which enabled us not only to have high tech weapons but more importantly to make a sound and sustained involvement in our training.

Our men and women were well-trained because of adequately funded steaming and flying hours as well as sufficient training opportunities, including live firing exercises. Our combat successes, with unprecedented low losses, are a direct result of the resources we provided and the priority given to their training and retention.

I again thank you for the support of our sailors in the Persian Gulf.

Mr. Chairman, this concludes my statement, and I am ready to answer any questions.

[The prepared statement of Admiral Johnson follows:]

## PREPARED STATEMENT BY ADM. JEROME L. JOHNSON

### FISCAL YEAR 1991 DESERT STORM SUPPLEMENTAL REQUEST

Mr. Chairman, distinguished members of the committee, I would like to take a few minutes this morning to highlight Navy's participation in Operations Desert Shield and Desert Storm which necessitates our request for funding of this Supplemental request. We are particularly proud to have played a role in this most complex and successful joint operation to expel Iraqi military forces from Kuwait in accordance with U.N. resolutions. From the Navy's point of view, this crisis again demonstrated our need for ready, forward deployed naval forces to deal with regional problems. The ships we had in the Persian Gulf on August second, and the early arrival of the *Eisenhower* and *Independence* carrier battle groups gave the President rapid leverage against further Iraqi aggression. Additionally, the integration of coalition naval forces in a successful embargo denied the Iraqi Government the opportunity to resupply and expand their war fighting capability by denying imports of essential military equipment. To date we have incurred combat losses of several aircraft and damage to two ships. The operations have been proceeding very well and have not been hampered by funding considerations. The Navy appreciates your continuing support.

One of the major items in Navy's portion of the supplemental request is the transportation costs incurred from the very outset of the operations. The Navy's strategic sealift response to the Persian Gulf crisis has been a logistical achievement of historic proportions. When Operation Desert Storm began January 16, 1991, over 215 ships under the operational control of the Military Sealift Command (MSC) had offloaded more than 12 billion pounds of cargo ashore to support the deployment of U.S. ground and air forces—95 percent of all material and equipment deployed to the region. The Navy's investment of more than $7 billion in support of strategic sealift during the past decade paid off handsomely by giving our Nation's leaders the flexibility to deploy massive forces to the Middle East on short notice. The transportation costs of moving personnel and supplies through the Military Sealift and Airlift Commands are considerable. Everything from ammunition, turbines, fire extinguishers, aircraft engines, gear boxes, chemical warfare suits, to medical supplies are being shipped. MSC ships remain in an active status while awaiting lift requirements which dictates the Navy provide for the costs of maintaining the civilian crews as well as other operating costs for this period. The packing, crating, port handling, and transportation of the material in CONUS is also a part of our incremental costs.

As might be expected, the major costs associated with Desert Shield/Desert Storm comes from an increase in the military personnel accounts to support the Reserve call-up. Up to 44,000 Navy Reserve personnel have been authorized to be recalled to active duty. Almost half of the authorized number are on active duty now. Over half these are medical personnel—doctors, nurses, corpsman—in direct support of our fighting forces in Desert Storm and their families back at home. Additionally, we have recalled a significant number of Reserves for logistic support, construction battalions, and cargo handlers. The estimated increase in pay costs for the reservists total $1.35 billion. Special pays the members are entitled to receive also increase our personnel costs. Special pays include the $110 per month Imminent Danger Pay, a $60 per month Family Separation Allowance for married members, and a $16 to $22 per month Foreign Duty Pay for enlisted members. Increases in personnel receiving sea pay, medical pay, and clothing are also adding to our personnel expenses. Per diem cost for the Reserve personnel called-up to active duty stem primarily from assignments to CONUS locations were government quarters are not available. These individuals on temporary additional duty are primarily assigned at medical facilities.

Operating tempo is obviously much higher than what would have occurred without Operations Desert Shield and Desert Storm. In support of the President's decision to cease the flow of economically important materials to and from Iraq, the Navy immediately commenced massive Maritime Intercept Operations, while beginning to sail additional forces to the region. As of earlier this week, over 7,500 merchant ships have been challenged, over 900 boarded (544 by the U.S Navy) and nearly 50 have been diverted. The flow of seaborne commerce to and from Iraq was choked off. As Operation Desert Storm commenced on January 16 with coalition air strikes against Iraq, six Navy Carrier Battle Groups, two battleships and a 31-ship amphibious task force were operating in the Red Sea, Persian Gulf, and Arabian Sea areas. The Navy had more than 100 ships in the area and 75,000 personnel

afloat and ashore, while nearly 18,000 Marines embarked aboard naval vessels brought the Marine Corps presence to over 85,000.

To accomplish this significant effort, our surge in operating tempo includes increased maintenance and usage of repair parts, activation of Reserve Navy aircraft squadrons, deployment of fleet air support squadrons and the other forces described earlier. Even before hostilities commenced, we estimated approximately 261,570 additional flying hours to support Desert Shield. Steaming days have increased to 90 days per quarter for the ships in the Gulf operation, up from 50.5 days for ships that would have normally been deployed and 29 days for ships that would have normally been in a non-deployed status. Ship overhaul and repair is being postponed for 23 of the ships involved with the operation, with 14 ships not involved being moved up from the fiscal year 1992 schedule to take their place. This schedule disruption has contributed to higher than normal level emergent repair and intermediate maintenance work. Aircraft maintenance costs have significantly increased because of the increased flying hours driving the demand for engines and repairables.

To support the additional flying hours and steaming days an additional 12.5 million barrels of fuel are estimated to be required for Desert Shield above the normal programmed levels. Incremental fuel use is the result of both optempo and well as transportation requirements. In addition to this fuel expense the baseline stabilized prices for refined fuel have increased almost $16 per barrel as a direct consequence of the Middle East crisis.

Since hostilities began on January 16, the Navy has expended a significant amount of ordnance in support of offensive operations against Iraq. As of early this week, our carrier-based aircraft have flown nearly 15,000 combat sorties and have delivered thousands of tons of munitions including laser guided bombs, missiles, and the first combat use of the Standoff Land Attack Missile (SLAM). Our surface ships and submarines demonstrated to the world their striking power with highly successful and even spectacular strikes into Iraq with the Tomahawk missile. And as General Dailey will agree, our Marines and other coalition forces ashore were happy to see gunfire support against enemy command posts, bunkers, artillery, and tanks. Because of high usage, we are intending to utilize some of the funds requested in the supplemental to surge production of specific weapons, including HARM and Tomahawk. Replacement levels required for these and other munitions for fiscal year 1991 will depend on consumption levels and final inventory.

In-country support for the Navy consists mainly of supplies and materials for the Construction Battalions. Increased security requirements are also included. Operating costs for two hospital ships and two aircraft intermediate maintenance equipment lift ships are being incurred.

Before ending my statement I must mention the two principle elements of the success the Navy has enjoyed in Operations Desert Shield and Desert Storm. These are quite simply our people and our training. None of you on the committee need to be lectured about the truly remarkable sailors, marines, soldiers; and airmen that have served us so well in Operation Desert Storm. You have seen them yourselves. All the "high tech" weaponry in the world is meaningless without them. The other element of our success lies with sound decisions and strong support over the last decade, from this committee and others, which enabled us to not only procure the high tech weapons you see in combat footage each day on television, but more importantly; to make a sound and sustained investment in training. Our men and women are well trained because we adequately funded steaming and flying hours, as well as sufficient training opportunities, including live firing exercises. Our combat successes, with unprecedented low losses, are a direct result of the resources we have provided and the priority we have given to training and operations during peacetime.

I again thank you for your support of our sailors in the Persian Gulf. Mr. Chairman, that concludes my statement, I am prepared to answer your questions.

Chairman NUNN. Thank you very much, Admiral. General Dailey.

## STATEMENT OF GEN. JOHN R. DAILEY, USMC, ASSISTANT COMMANDANT OF THE MARINE CORPS

General DAILEY. Good afternoon, Mr. Chairman and distinguished members of the committee. It is a pleasure for me to have this opportunity to appear before you today and to discuss the Marine Corps requirements contained in the supplemental.

I do not have anything to add to those comments made by General Sullivan and Admiral Johnson in regard to the performance of the Marine Corps members of Operation Desert Storm. Our requirement is to pay the additional people we have on active duty above the number we had planned to have and to get the additional operating funds that are necessary because of the increased optempo, and for some special procurement items that have been specifically requested by the Marine commander. I look forward to answering your questions.

[The prepared statement of General Dailey follows:]

STATEMENT BY GEN. J.R. DAILEY, ASSISTANT COMMANDANT OF THE MARINE CORPS

Mr. Chairman, distinguished members of the committee, I appreciate this opportunity to appear before you in support of our supplemental request for additional appropriations as a result of Operations Desert Shield and Desert Storm.

The rapid deployment to Southwest Asia of a credible, task organized combat force with an organic sustainment capability was one of the most noteworthy achievements of Operation Desert Shield. One of the fundamental characteristics of naval forces is that they deploy with an adequate level of sustainability. Our Marine Expeditionary Forces, as a matter of policy, deploy with 60 days of supply. A significant part of this deployment is the 30 days of supply provided by the Maritime Prepositioning Ship (MPS) squadrons. Each squadron supports a Marine Expeditionary Brigade. Without this logistics depth, acquired through years of persistent programming efforts and your consistent support, our rapid build up of needed combined arms power in Southwest Asia may not have been possible. In the course of this contingency response the MPS concept was validated as we committed over 80 percent of our operating forces.

The Marine Corps did not develop this logistics capability without costs. In the process of achieving a force with balanced ground, aviation, and service support forces we insisted that organic sustainability be maintained in spite of strong pressures to try and gain "tooth" at the expense of "tail." As a result our combat-service support is in our active force structure and we will continue to maintain a "tooth" to "tail" ratio consistent with a truly expeditionary force. The Marine Corps has husbanded the resources it has been provided. We recognize that resources are scarce and that the committee's decisions will be difficult. The preliminary request you have before you has been scrubbed and is the minimum necessary to maintain our sustainability.

FISCAL YEAR 1991 DESERT STORM SUPPLEMENTAL REQUEST

As you are well aware it is difficult to accurately estimate the additional resources required in support of Operation Desert Storm as it is still in progress. Despite this uncertainty there are certain costs which we have been able to quantify based on the present situation. In general these costs are in the areas of sustaining the force as it exists and investing in or augmenting existing capabilities with those items which are needed and deliverable within this fiscal year.

SUSTAINING THE FORCE

One of the most obvious requirements is for the increased costs associated with a higher end strength than that authorized in the fiscal year 1991 Defense Authorization Act. By March of this year we will have approximately 44,000 Reserves on active duty. Additionally our active duty strength will have increased to some 202,800 due to stop loss and retiree recall actions. By the end of the fiscal year our strength will have increased to some 213,000 active duty and 44,000 reserve marines. Our request in the MPMC appropriation will cover the cost of the additional Reserves and other costs associated with special pays, permanent change of station moves, and increased strength due to stop loss. These costs are offset somewhat by subsistence and officer field ration savings: Additional savings from the RPMC appropriation as a result of the recall of reservists are also offered to offset this request. Not addressed in this request is the impact on the fiscal year 1992 budget of a beginning strength higher than that authorized nor the necessity to seek relief from the fiscal year 1991 authorized end strength.

The Operation and Maintenance account has likewise seen an increase in costs as a result of dramatically increased operations tempo in Southwest Asia and CONUS

training areas. Operations tempo and "in-country" support alone account for over 50 percent of our request in this area. Such items as batteries, contact teams for new equipment, consumable parts, and supplies necessary to sustain a MEF during a ground war and another MEF at sea prepared to execute amphibious assaults require additional funding beyond that contained in the present fiscal year 1991 Defense Appropriation Act. Additional funds are required for transportation, incremental fuel requirements, subsistence, Reserve component activation, and equipment maintenance. In addition to incremental fuel requirements, fuel price increases have been experienced across the appropriations.

INVESTING IN THE FORCE

Procurement of equipment for Southwest Asia not provided for in the current Procurement, Marine Corps appropriation requires additional funding. Such items as command and control equipment required to modify the HAWK air defense batteries to handle the complex air war in Southwest Asia, portable collective protection system tents and associated generators, chemical equipment, bulk cargo containers, spares, and amphibious raid equipment are essential to sustaining the combat capability of our Marines.

Existing stocks of ammunition have been sufficient to support current operations in Southwest Asia to include the initiation of a ground offensive. However our production lines for small arms ammunition, mortars, the high explosive anti-armor SMAW round, and demolition material must be funded at a level that will ensure production lines capable of sustaining an orderly flow of consumable ammunition or meeting surge requirements.

SUMMARY

As was indicated at the outset, estimating the additional funding requirements for Operation Desert Storm is difficult in view of the fact that it is an ongoing operation. This request has identified what we believe to be the minimum funding necessary to continue operations for this fiscal year given our present situation. We thank the committee for its support of our marines and sailors in this operation and stand ready to answer your questions.

Chairman NUNN. Thank you, General. General Loh.

## STATEMENT OF GEN. JOHN M. LOH, USAF, VICE CHIEF OF STAFF, U.S. AIR FORCE

General LOH. Thank you, Mr. Chairman. It is a pleasure for me to be here today. I welcome the opportunity to discuss the Air Force's participation in this war, which necessitates the supplemental budget request for fiscal 1991, and as you requested to present an overview of the Air Force's request.

As a member of the joint service and the coalition team the Air Force played a critically important role in this war and we succeeded in performing every aspect of our complex mission, fully meeting our expectations and I believe your expectations, and so I will not recount the many contributions and results we have made in the war. You are already aware of most of them, and our Secretary and Chief will be here covering them thoroughly in their statements and testimony to the committee.

I will say, however, that our results have been made possible by the steadfast and persistent commitment of the administration and Congress, including this committee, to investments in people programs, investments in equipment programs, and training programs which have made it all possible.

We in the Air Force have translated your commitment into a high quality Air Force well led, well equipped and trained, and one that has performed magnificently in combat. Up until the cease fire yesterday we were employing our force assets in the full pano-

ply of missions and in the phase forward part in close air support and battlefield air interdictions.

All of this has had its share of cost uniquely associated with Operation Desert Shield/Desert Storm. Our costs are in three areas: personnel, operation and maintenance, and investment and equipment. Let me briefly describe the reasons for our supplemental request in each area.

In the personnel area, the largest cost is the call-up of our Air Reserve Component (ARC), the Air National Guard and the Air Force Reserve. Reserve flight and maintenance crews have been responsible for half of the airlift missions to and in the area of operation.

In addition, there will be approximately 16,000 to 20,000 active duty personnel who will have been retained past their normal dates of separation due to stop loss provisions. This will not only add personnel cost, but it also necessitates an expansion of the end strength waiver for Operation Desert Shield/Desert Storm applying to both total and officer end strength. We estimate the cost of military personnel appropriation for mobilization and stop loss to be approximately $1.9 billion.

The incremental operation and maintenance cost of Operation Desert Shield/Desert Storm have been significant, and we cannot absorb them within currently appropriated funding. The costs are, however, a reflection of what our people have been able to accomplish over there.

Throughout the 43 days of combat, our mission capable rate for our aircraft remained above 90 percent, significantly better than our peacetime averages. Weapons system reliability and maintainability ran 10 percent higher than peacetime rates, on average. Fifty four percent of our O&M requirement is tied to increased fuel and supplies consumption for the increased wartime sortie rates. In supporting Operation Desert Storm, the Air Force used over 200,000 flying hours per month above the normal program.

The third area of our supplemental request covers our investment in equipment and supplies. The difference between our effectiveness in this war and previous wars has been the results per individual sortie and individual weapons impact that we have been able to achieve.

As you are well aware, this has been made possible by our commitment to modern technology for full night operations, precision navigation and weapons accuracy, the judicious application of stealth materials and avionics to fighter aircraft, smart electronic warfare programs, improved munitions in terms of both accuracy and effect, and reliable jam-resisting communications.

All of these investments in modern technology have been brought to bear with remarkable effectiveness. Our supplemental request for investment items also includes funding to ensure adequate production capacity to recover our inventories.

Finally, while our supplemental request focuses on the three areas of people, operations and maintenance and equipment, I want to close by emphasizing the importance of training and training equipment to our success in Operation Desert Shield/Desert Storm.

Our ground and air crews have performed with distinction. Much has been written and spoken about the performance of our weaponry. Less has been mentioned about the performance of our people. Their heroic performance has been made possible by leadership and training.

This committee has consistently supported an adequate budget for training equipment. In the aftermath of Operation Desert Storm, I endorse a continued strong commitment to a healthy training program. This includes flying hours, training munitions, training ranges, training equipment to keep our ranges modern, and funding for realistic training exercises in the future.

One lesson of Operation Desert Shield/Desert Storm is the importance of strong air leadership and training necessary to operate with the great efficiency and effectiveness we have witnessed in this war.

The Air Force seeks the support of the committee in the supplemental budget request, and I appreciate the opportunity to explain our needs to you. Thank you.

[The prepared statement of General Loh follows:]

PREPARED STATEMENT BY GEN. JOHN M. LOH

Thank you, Mr. Chairman. It's a pleasure for me to be here today. I welcome this opportunity to discuss the Air Force's participation in the conflict which necessitates the supplemental budget request for fiscal year 1991, and as you requested, present an overview of the Air Force's request.

As a member of the joint services' team, the Air Force played a critically important role in the war. We succeeded in performing every aspect of our complex mission, fully meeting our expectations, and I believe, your expectations. I will not recount the many contributions and results we have made in the conflict. You are already aware of most, and our Secretary and Chief are covering them thoroughly in their statement and testimony to the committee.

I will say, however, that our results were made possible by the steadfast and persistent commitment of the administration and Congress, including this committee, to investments in people programs, equipment programs, and training programs which have made it all possible.

We in the Air Force have translated your commitment into a high quality Air Force, well led, well equipped, well trained, and performing magnificently in combat. And, while I won't go into details, as of earlier this week our Air Force had flown 60,000 combat or combat support sorties (60 percent of the coalition effort), delivered 55,000 tons of munitions with unprecedented precision on military targets, and lost only 15 aircraft over a 6 week period of intense combat operations. The results of our contribution have been characterized by the Secretary of Defense and Chairman many times recently to this committee so I will not repeat them. Suffice it to say that the results have been decisive in allowing the coalition forces to be in the dominate position we are in.

We employed our Air Force assets in close air support and battlefield air interdiction missions supporting the goals of the operations, while continuing to fly the full panoply of counterair, reconnaissance, airlift, tanker and space support missions the Air Force brings to the joint effort.

All this has its share of costs uniquely associated with Desert Shield and Desert Storm. Our costs are in three areas: personnel, operation and maintenance, and investment in equipment. Let me briefly describe the reasons for our supplemental request in each area.

In the personnel arena, one of the largest costs is the call up of our Air Reserve Component (ARC) personnel. Their outstanding performance as an integral and indispensable part of this operation is a testament to the Air Force's commitment to the total force concept. Reserve flight and maintenance crews have been responsible for half of the airlift missions to and in the area of operation. Having them on board, however, will necessitate an increase to the military personnel appropriation (MPA). In addition, there will be approximately 16–20,000 active duty personnel who will have been retained on active duty past there normal dates of separation (DOS) due to Stop-loss. This will require an increase in the MPA, as well as an expansion

of the end strength waiver for Desert Shield and Desert Storm from .5 percent to 4.5 percent applying to both total and officer end strength. We estimate the cost to the MPA from mobilization and Stop-loss to be approximately $1.9 billion.

The incremental Operation and Maintenance (O&M) costs of Desert Shield/Storm have been significant, and we cannot absorb them within currently appropriated funding. The costs are, however, a reflection of what our people have been able to accomplish there. Infrared (IR) and stealth technologies have extended our combat day to a full 24 hours, denying the enemy his accustomed sanctuary of night. This in turn has contributed to our ability to fly the incredibly high number of successful sorties I mentioned earlier. The torrid pace of thousands of sorties a day, has not diminished our maintainers effectiveness either. They have matched the sterling performance of their airborne teammates every step of the way. Throughout the 43 days of combat our Mission Capable (MC) rate has remained above 9O percent, significantly better than our peacetime averages. Weapon system reliability and maintainability, on average, ran 10 percent higher than peacetime rates. Fifty four percent of our O&M requirement is tied to increased fuel and supplies consumption for the increased wartime sortie rates. We estimate, to support Desert Storm, the Air Force will use over 200,000 flying hours per month above the normal program.

The third area of our supplemental request covers our investment in equipment and supplies. The difference between our effectiveness in this war and previous wars has been the results per individual sortie and individual weapon impact that we have been able to achieve. As you are well aware, this has been made possible by our commitment to technology for full night operations, precision navigation and weapons accuracy, the judicious application of "stealth" materials and avionics to fighter aircraft, smart electronic warfare systems, improved munitions, in terms of both accuracy and effect, and reliable jam-resistant communications. All of these investments in modern technology have been brought to bear with remarkable effectiveness.

In addition to our expenditure of a large amount of items in the modern technology category, we have also expended a considerable amount of routine aircraft spares and consumables such as tires, batteries and support equipment, as well as packaging, handling and equipment used to support the airlift, sealift and logistics effort. So, our supplemental request for investment items covers all of these areas to ensure adequate production capacity to recover our inventories.

While our supplemental request focuses on the three areas of people, operations and maintenance, and equipment, I want to chose by emphasizing the importance of training and training equipment to our success in Desert Storm. Our ground and air crews have performed with distinction. Much has been written and spoken about the performance of our weaponry; less has been mentioned about the performance of our people. Their heroic performance has been made possible by leadership and training. This committee has consistently supported an adequate budget for training equipment. In the aftermath of Desert Storm, I endorse a continued strong commitment to a healthy training program. This includes flying hours, training munitions, training ranges, equipment to keep our ranges modern, and funding for realistic training exercises in the future. One lesson of Desert Storm is the importance of strong air leadership and training necessary to operate with the great efficiency and effectiveness we have witnessed in this war.

The Air Force seeks the support of the committee in this supplemental budget request, and I appreciate the opportunity to explain our needs for it. Thank you.

Chairman NUNN. Thank you, General. We have a vote with about 3 or 4 minutes to go and some of our colleagues will be coming back. I suggest a 10-minute break, and we will come back to start the questions. [Recess.]

Senator EXON [presiding]. The committee will please come to order. I am sorry, gentlemen, we have been interrupted with the vote. I understand that each of you has completed your opening remarks, is that correct? The chair then recognizes the Senator from Michigan.

Senator LEVIN. Thank you, Mr. Chairman.

I would like to ask you, Mr. Davidson, about the way in which we are budgeting for items which were reduced in the regular appropriations request from the level that was projected for them in that regular request, and then increased to a very large amount in

the supplemental without knowing how many of them we even used in combat.

Let us take the MLRS rockets, for instance. The production for fiscal year 1991 of MLRS was 36,000. As I understand it we had planned to produce about 24,000 for 1992. I think that was a CBO estimate from some DOD documents.

When the production request came in for 1992, it came in for zero. I do not understand that to begin with. Now that the supplemental is in, the supplemental request is in for 60,000. We do not have any idea, I guess, how many of those we used, or do we?

Mr. DAVIDSON. No, we do not. And certainly the 60,000 request was based on our concern for just how bad combat could be. And that underlines a number of those items which we requested. We applied a test of whether we had the capability to produce additional quantities in fiscal year 1991 in what we call the funded period—the delivery period for 1991. That was a test we applied, and so we wanted to be satisfied if we put an amount in there that indeed it could be produced.

And then the second thing we looked at was the number of rounds, in this case rockets, which were put in-country to begin with. And on the possibility that they could be consumed, we wanted to be prepared to be able to sustain a production line and support a worse case.

Senator LEVIN. I can understand that. I do not understand the zero request for 1991. That is my problem.

Mr. DAVIDSON. For 1992, rather?

Senator LEVIN. For 1992.

Mr. DAVIDSON. Well, in total we feel that given the——

Senator LEVIN. I am not talking about total. I do not understand why there was no request for fiscal year 1992 when the 1992 request came in, but in 1991 we estimated that we would be producing 24,000 of them in the 1992 budget. I do not understand why it is zero.

Mr. DAVIDSON. Well, in looking at what our funding priorities were in the 1992 budget and recognizing that we are talking about reducing about 25 percent our force level. With the budget—some of the numbers we received——

Senator LEVIN. Let me interrupt you. That was assumed last year there would be a reduction in force level. That is not new.

Mr. DAVIDSON. Well, it is new this year, because the size of the production that we have in the 1992 budget is substantially below what we were looking at as top-line numbers a year ago when we submitted the 1991 budget—I mean, the agreement last fall substantially reduced our 1992 budget.

Senator LEVIN. And that would get us from 24,000 to zero, that difference?

Mr. DAVIDSON. Right. Our conclusion was that we had enough MLRS that we did not want—we did not need to buy any more and the priority on MLRS was low compared with what our other needs were.

Senator LEVIN. And that is because of force reductions being greater than expected?

Mr. DAVIDSON. Well, yes. Force reductions and the mere fact that we had less money. When we took the money that we had available

to us in 1992 and what our requirements were, MLRS, given what we had in inventory, just did not justify putting money on.

Senator LEVIN. Are we still planning on terminating MLRS in fiscal year 1992? I guess General Sullivan should——

General SULLIVAN. No, it will stretch out based on this production and it could remain open until September 1994. I doubt that it will.

Senator LEVIN. But given the fact that we are putting in 60,000——

General SULLIVAN. Well, it depends upon what we shoot and as of now I do not know what we have used.

Mr. DAVIDSON. Senator, our expectation is that we have to come back and take a look at those estimates, because given the cease fire and given how short the ground war was, we recognize that we have to reconsider that things did not turn out as badly as we thought when we put it together.

Senator LEVIN. Well, then are we going to get a new supplemental?

Mr. DAVIDSON. In that area, we are looking at it. We do not have something up right now. But it is our expectation that we would give you something, give you an alternative, yes.

Senator LEVIN. When will we have that new supplemental?

Mr. DAVIDSON. I do not know yet. I would say very shortly.

Senator LEVIN. In the matter of a week or 15 days?

Mr. DAVIDSON. It should be a week or so.

Senator LEVIN. That might be true with a number of other selected items beside that one.

Mr. DAVIDSON. Well, that would only apply to this investment category. And what is really going to determine it, by the way, is once we get some data in from the field on what it is we really did consume, it is not a case of putting together an estimate but learning what actually happened out there.

Senator LEVIN. And now with the Patriot last year, it was planned that we would buy 440 of them in the 1992 budget. The budget request came in for zero, and then there is a large number in the supplemental—500. Would your answer to that be basically the same as your answers to the MLRS?

Mr. DAVIDSON. Yes, it is.

Senator LEVIN. General Sullivan, on the returning troops issue, you indicated that in your testimony that we are structuring our plans to avoid shipping equipment to Europe—that means back from the Kuwaiti theater—only to have it return to the United States next year as the unit inactivates. What are our plans for the return of troops from the Kuwaiti theater, Saudi Arabia, back to Europe and the United States. And what is the time table if we do not have a plan for when we will have a plan? I mean how many of these troops are going back to Europe and how many will be coming directly back to the United States? And I am only talking about the troops which were from Europe.

General SULLIVAN. First of all, we have no time line, because we have not been given any guidance in that regard. Those troops who deployed from Europe will return to Europe. Those who are in units which are inactivating will pick their families up, their

household goods, and so forth, and be redeployed back to the United States.

Senator LEVIN. And the decision as to which units will be inactivated will be made before the deployment back from Saudi Arabia?

General SULLIVAN. For the most part, yes, sir, but we have to wait and see when that is. But essentially that is right for those units that are coming out; that decision will be made then. And the equipment, if it is not needed in Europe or POMCUS or war reserve or whatever, will come back to the United States.

Senator LEVIN. My time is up. Will you supply for the record some various options to us in terms of how it would work if certain units were deployed back to Europe and then how it would work if additional units were deployed back to the United States instead of Europe, coming directly—could you give us various options?

General SULLIVAN. Yes, sir.

[The information referred to follows:]

REDEPLOYMENT

The Army's plans for the redeployment and reconstitution of the Desert Storm force take into consideration the future end-state of the Army. For example, we are structuring our plans to avoid shipping equipment to Europe, only to have it returned to the United States next year as the unit inactivates.

The Army's plan for redeployment is for units to return to their point of origin. Forces that deployed from the United States will deploy back to the United States; forces that deployed from Europe will deploy back to Europe. There is no Army plan nor requirement to redeploy forces to a location differing from their home station.

Units inactivating in Europe in the next few years are required to return to Europe, for several reasons. First, taking care of soldiers and their families is the major concern. Redeploying soldiers must return to their home station to be reunited with their families and to assist in moving to follow-on duty stations. Second, units deployed on Desert Storm represented a mix of inactivating units and units remaining in the force structure. To exercise even adequate stewardship over our equipment and installations, it is imperative that these personnel return to properly supervise the close out of their units and installations. Third, equipment from inactivating units may also be used for theater reserve replenishment, or to fill requirements to our NATO allies as outlined in CFE agreements. Unit equipment may also be allocated to meet POMCUS fill requirements.

Senator LEVIN. Thank you.

Chairman NUNN [presiding]. Thank you, Senator Levin. Senator Warner.

Senator WARNER. I want to thank you, Mr. Chairman.

Gentlemen, we indeed are privileged to have you before us today, because you represent the professionalism that we have witnessed here in the past weeks and extending back through August. And this committee has a very great respect for you in this area, and we take great pride in working together with you.

I want to go to Mr. Davidson first. The Comptroller General testified yesterday and that was on the 27th before the House Budget Committee that DOD cost estimates "failed to fully reflect substantial savings resulting from free fuel and other in-kind contributions." It is my understanding that in-kind material assistance is reflected as a part of the anticipated foreign contributions which DOD would use first to meet Desert Shield expenses.

Now, given that background, Mr. Davidson—and the others can contribute, could you please comment on DOD's procedures for receiving and accounting for material assistance in support of oper-

ations in the Gulf, and will these material contributions be fully applied to offset estimated cost of the operation?

Mr. DAVIDSON. To answer your last question first. Yes, Senator, the receipts, the in-kind contributions will be used to fully offset our cost estimates.

First, the cost estimates that you have for the first quarter, $9.1 billion, and in the second quarter, $12.3 billion, and for the total of the year, were developed without regard to how it was funded. We looked at it and said okay, what is this going to cost. Then the second ingredient in the equation is how it will be funded and to the extent that we receive and in kind contribution or a cash contribution, it will be a means to finance that cost estimate. The cost estimates are prepared independent of how it is going to be financed.

Now, as to our procedures, the Commander in Chief Central Command prepares a report which is submitted here to Washington, as does the Transportation Command to advise us of in-kind contributions which they have received. And the Central Command has a very involved network of officers and groups collecting data on what we are receiving, and that includes the host nation support provided by the Saudi's as well as material shipped in the theater from Germany, from Japan, and host nation support from UAE.

That data is collected by Central Command and is sent into Washington and we, in the Comptroller's office, look at that as well as the military departments and recognize that as a offset to our cost estimates.

Senator WARNER. Again, Mr. Davidson, the Comptroller General, in that testimony to which I referred, estimated that the GAO believed $17 billion represents the true incremental costs of Operation Desert Shield and Storm from October 1, 1990 to March 31, 1991. While relatively little detail is provided, the GAO estimate appears to be based upon the categories included in the DOD incremental base line estimate, absent combat, for the same period, plus accelerated acquisition of investment items needed in the Gulf.

DOD's estimate for these categories is approximately $27.8 billion. Mr. Bowsher also states we need to make sure that our troops receive all the support they need. Has the Department analyzed this GAO estimate or worked with Mr. Bowsher's office on the estimate?

Mr. DAVIDSON. No, we have not. I have not seen that estimate and it has not been provided to us yet. I will take a look at that, but I have not done so yet.

Senator WARNER. Let me read this testimony of February 27, 1991. "Our estimate is based upon first quarter fiscal year 1991 obligations of $5.8 billion for deployment and subsistence reported by DOD minus the higher price DOD is paying for fuel worldwide; GAO's estimate of second quarter obligations based on DOD's projection of operating tempo, and the cost of accelerated acquisitions needed for use in the Gulf this fiscal year."

I am at a loss why we have reasons for the difference between these two estimates.

Mr. DAVIDSON. Well, from what you have said, I can point out at least two things. First, they make a point about the price of fuel,

and our cost estimates include or recognize as an incremental cost to Desert Shield the fuel price increase that has occurred since August 2 when Kuwait was invaded. And I believe GAO is saying that they do not want to recognize that, so what they are essentially saying is that they would expect that while we are making, if you will, sacrifices and cutbacks in our operation and maintenance appropriations right now to absorb Operation Desert Shield, they would propose that we go further and absorb fuel price increases. We are proposing not to do that.

The other point is that they have not taken into account the full cost, because ironically in-kind contributions which we have received in the first quarter of fiscal year 1991 should be included in the cost estimate. Because what I said to you was we should be estimating total costs and recognize that the in-kind contributions are an ingredient.

Senator WARNER. Mr. Davidson, if you would indulge me and if I could get the Chairman's attention, I think it is important that the Department of Defense be allowed an opportunity to comment on the GAO report. It would be my expectation that you could get that in—when, Mr. Davidson? Prior to our markup schedule?

Mr. DAVIDSON. I would think we could do that very quickly. I will get a copy of that this afternoon or first thing tomorrow morning. And I think we could make some observations and comments to you by Monday afternoon.

[The information follows:]

COMMENTS ON GAO STATEMENT

GAO has recommended that Congress approve quarterly supplementals for Desert Shield and Desert Storm until more actual data is available on the cost of the operation. GAO is recommending an initial supplemental of $17 billion.

While the cost of Desert Shield and Desert Storm cannot be determined precisely, the incremental baseline cost to move personnel to Saudi Arabia and to maintain and support these personnel is known. Likewise, the cost of phasing down operations and redeploying from the theater can be estimated with some precision and the cost of combat is being refined as consumption of munitions and spare parts are being reported. The estimate of spare parts and munitions has been revised to reflect current data. It would be unfortunate to require the time of the committees and the Congress on a continuing basis to address the funding needs for Desert Shield and Desert Storm and guidance and through legislation.

Known and certain costs of Desert Shield and Desert Storm will substantially exceed the $17 billion recommended by GAO for a supplemental. In view of that committees should address known and likely costs rather than confine action to baseline incremental costs. In addition to baseline incremental costs (not reflecting combat) through March 31 other costs include the $7 billion cost of phasing down operations, which should begin very soon, redeployment cost of $5.2 billion and a minimum estimate for consumption of spare parts and munitions of $2.9 billion associated with combat. The last item will be refined upward as reporting continues to flow in on the consumption of munitions during the last days of the war. Finally, O&M costs associated with combat will require funds in the near term and replacement of many major investment items may be necessary. In summary, costs will be substantially greater than the $17 billion discussed by GAO.

GAO has recommended that the DOD cost estimate for Desert Shield be reduced by the amount of the fuel price resulting from the Persian Gulf crisis but associated with normal fuel consumption.

The fuel price increase on normal fiscal year 1991 fuel consumption is considered a part of the Desert Shield incremental cost because it results directly from the Persian Gulf Crisis and it was a factor considered by the United States in establishing the targets for contributions from our allies (and particularly the Saudis) when contributions were first requested in September, 1990. All Desert Shield cost estimates have provided for these costs and the Fiscal Year 1990 Desert Shield Supplemental

included funds for these costs. Including these costs in the supplemental would make it possible to use the contributions from our allies for costs which were considered when those contributions were solicited.

Chairman NUNN. Senator Dixon.

Senator DIXON. Thank you, Mr. Chairman.

Mr. Davidson, as you know, I chair the Subcommittee on Readiness, Sustainability and Support—it is jurisdictional on the conventional ammo, basically—and if my calculations are correct, exclusive of the Navy, in this particular Desert Storm proposition, you asked about $2 billion for conventional ordinances; is that right?

Mr. DAVIDSON. That is about right.

Senator DIXON. I want to congratulate you, first of all, on that, and candidly, my opinion for a number of years is that we have not been buying enough of the conventional ammo. For instance, the buy in this supplemental will be more than what is requested in the DOD authorization bill for this year, as a matter of fact; is that not true?

Mr. DAVIDSON. I would have to check the numbers, but I think you are right.

Senator DIXON. Well, the authorization bill asks for approximately—it is about the same, as a matter of fact. But what has bothered me particularly with Army ammo, as an example, it has been going down so dramatically. For instance, when I first came to the committee, I think it was $2.3 billion. This year it is $1.2 billion, and I am concerned about that.

Do you believe that in what you are doing in this supplemental you are providing for procurement of sufficient conventional ammunition?

Mr. DAVIDSON. We did and we do, yes, Senator. As I think I said to Senator Levin, we are attempting to forecast what we thought the consumption was going to be, or at least provide for as much as we could produce on those rounds where we thought our greatest consumption would be.

Senator DIXON. Could I ask you, has the fact that we have been reducing procurement in some of these rounds over the last few years in any way contributed to any concerns you might have about our defense industrial base so far as having decent live production possibilities in the United States for all these particular categories of conventional ammos concerned?

Mr. DAVIDSON. The state of the industrial base is obviously of significant concern to us, and with the falling budget levels we recognize we have almost impossible dilemmas facing us because of the necessity to cut our budget and at the same time keep that industrial base. We are doing our best to deal with that, but we recognize there is no way we can keep the base we now have—we are going to have to shrink it.

Senator DIXON. Well, may I say in advance that my good friend the distinguished Senator from Mississippi and I will be having hearings on this whole question shortly, and I would like to go into some detail about that. He has had a personal experience, as a matter of fact, in his State. I am not picking on him for that reason. He happens to be ranking with me on my subcommittee now.

But I am somewhat concerned about whether we are being sufficiently attentive to the industrial base on some of this ammunition. It has gone down more dramatically than anything in the budget over the last decade.

Mr. DAVIDSON. Well, I would say we think we are, and I recognize that——

Senator DIXON. I am just giving you advance notice.

Can I give you a couple of specifics here through General Sullivan, if I may, General? I notice that the Army is requesting $77.5 million for the older 483 155-millimeter artillery round and no funds for the newer longer-range 864 round. I feel compelled to ask you why you are buying the older round.

General SULLIVAN. Because we felt we needed it to complement the M864. We were at maximum production for the M864, and we needed to be able to replace projected losses. Now that we see what we have shot, we will probably be scaling some of that back.

Senator DIXON. Now, also, I notice you are requesting $51 million for the M-919 25-millimeter round for the Bradley, $83 million for the older M-791 version of this round. And again I ask, why do you not put all your resources on the newer, more capable M-919 round? Could you explain that?

General SULLIVAN. Senator, the problem we had is that the new round was in development and we could not get it. And we had a shortfall based upon the threat and the usage data. We felt that we had to go with what we could get. We will scale that back, too. We really do want the new round, but interestingly enough, the old round was, in fact, capable of defeating everything that we came up against.

Senator DIXON. I have no doubt both those rounds are capable against what we face there, but quite obviously, we see these improvements. My own inclination, and I hope you would support it, General, would be that in my subcommittee I would want to support you going ahead with the better rounds in these cases whenever you feel that you can find sufficient supply.

General SULLIVAN. Yes, sir, we would.

Senator DIXON. I guess I would ask you finally, General, and I raise this all the time. I hope you know, in the last several years, my subcommittee restored 100 million and another time 180 million, frankly, with the cooperation of all of you, of course, and the committee was kind enough to accommodate me. But, you know, I wonder, how do you account for the fact that we are—I know dumb munitions is not very exciting, but the fact that we cut it so much—the Ammunition Account has literally gone down in a straight line, a decline of more than 50 percent since I have served on this committee.

General SULLIVAN. How do I account for that, sir?

Senator DIXON. Yes. It occurs to me that if we have as many weapons—I mean, it is tough to get by with half as much ammunition.

General SULLIVAN. I think it is based upon the threat and the size of the force and affordability.

Chairman NUNN. Senator Dixon, a clarification. Are you talking about cutting the additional that we are buying, or are you talking about the inventory going down?

Senator DIXON. No, no. In all fairness, Mr. Chairman, I was not addressing inventory, and the Chairman has a point there, of course. But I am saying that the procurement has steadily declined from 2.3 to now 1.2 in my time on this committee. And, frankly, as the Chair knows, at all of our subcommittee meetings I have raised that point, and the Chair and others have been supportive of my putting some extra money in. We have stolen it sometimes from my good friend to the right of the Chair.

Senator EXON. All of it. [Laughter.]

Senator DIXON. But I do want to make the point that I must say, Mr. Chairman, that we are in a position where we are very, very fortunate. This has been such a fine demonstration of our leadership and our troops and our equipment, with such a remarkable result. But I would suggest in a long-term situation this could present some rather serious challenges for us.

For instance, let me just say—and this is my closing question, Mr. Davidson—by my calculation, approximately $5.7 billion, almost 90 percent of the $6.4 billion you are requesting in procurement funding in this supplemental, is for munitions; is that not true?

Mr. DAVIDSON. That is correct. That was the—I beg your pardon?

Senator DIXON. I say, that kind of makes my point. I support it enthusiastically, may I say. I had thought I might have to come in here and try to put some in, but obviously you have so well anticipated my views that I am just here to tell you how pleased I am, frankly.

Mr. DAVIDSON. Well, we thank you. [Laughter.]

Chairman NUNN. If everyone has now agreed with Senator Dixon and all of his premises, I will turn to Senator Smith.

Senator SMITH. Thank you, Mr. Chairman.

On the subject of accelerated procurement, the Patriot missile, of course, is an excellent example. But there have been other examples of accelerated procurement of key systems for use in Desert Storm and numerous long-term delivery schedules have been thrown out of whack. Have you given any thought as to how to address this problem with the contractors?

Mr. DAVIDSON. Well, first of all, taking Patriot. We have accelerated Patriot deliveries, and we went to the contractors and asked them if they could deliver the quantities that were in the 1991 budget and the existing budget, 1990 budget, quicker, and they did do so. And then, what we are proposing to do is add on to the production line what it would take to meet our consumption.

But in the case of the Patriot, we are talking about the end of the production line. It really should not be a serious problem. That is, we will sit down and negotiate a contract with them for the quantity we need. But it will be at the end of the production line, and we do not anticipate a problem with that.

Senator SMITH. In regard to the distinction between in-kind and cash contributions, how much leverage do you have or are you using with our allies? There must be, in some cases, a greater desire to have cash so that you retain the flexibility to do what you need with it versus the in-kind, which is appreciated but probably not quite as valuable. Could you give me some indication of (a) are you using leverage, and (b) are they responding to that leverage.

Mr. DAVIDSON. First of all, there is no question cash is what we are seeking. In the early stages where we were trying to supply equipment and material to CENTCOM as quickly as possible, we found that in some cases it made sense for a in-kind contribution to be accepted, and so we did that.

Now, however, it is a case of almost a give and take with the country. That is, we received a proposal recently from one country in which they offered in-kind, and we are going to write back to the minister in that country and just indicate to them that we would prefer cash and not the in-kind contribution. But it almost comes down to a negotiation with the country.

Senator SMITH. When you received the commitment from Japan for $9 billion, was that commitment broken down between in-kind and cash, or is it a commitment of $9 billion with no specification?

Mr. DAVIDSON. I was not referring to Japan, by the way, but in some cases, yes, we do receive a proposal which would detail cash, transportation services, material; and then, depending on whether we feel the material or the transportation services are useful, we go back to the country and indicate our preference.

Senator SMITH. So if the cash portion of the commitment comes through, you feel that would be sufficient? In other words, you are comfortable with the existing balance between cash and in-kind assistance?

Mr. DAVIDSON. Well, again, our preference is totally cash, as we are frankly indicating, I would say, firmly with our donors, with the exception of Saudi Arabia, who is providing host nation support material for us, and which is very desirable for us. But in most cases, we are trying to make it very clear that cash is what we want.

Senator SMITH. Thank you, Mr. Chairman.

Chairman NUNN. Thank you, Senator Smith.

I believe Senator Glenn is next. No, Senator Exon is next, I am sorry.

Senator EXON. Mr. Chairman, thank you.

General Sullivan, let me return to this manpower proposition. How many Army, Marine, and Air Force personnel do we have on the ground in the Persian Gulf area right now? Would it be somewhere around 500,000?

General SULLIVAN. Yes, sir. For the Army, it is a little bit in excess of 300,000. I believe the total is somewhere around 500,000.

Mr. DAVIDSON. I think it is around 520,000.

Senator EXON. I am including the Navy.

Mr. DAVIDSON. Around 520,000, including the Navy.

Senator EXON. 520,000 including the Navy?

Mr. DAVIDSON. I believe that is it.

Senator EXON. Well, let me address this both to the Army and the Navy. And I suspect to the largest number of individuals over there in the Reserves and the National Guard, are with the Army; is that right?

General SULLIVAN. I do not know the answer to that, sir. I can get it for the record. I would presume that the Army piece is probably larger.

[The information follows:]

NUMBER OF SOLDIERS IN SOUTHWEST ASIA

The Army has 304,000 soldiers in Southwest Asia. Of those, 36,766 are Army National Guard and 38,757 are U.S. Army Reserve.

Senator EXON. The Army ground forces would have a larger number of Army reservists than would the Navy, because the Navy does not have as many people over there, right?

General SULLIVAN. Yes, sir.

Senator EXON. Now, when would you say we are planned to start to returning some of those reservists?

General SULLIVAN. I honestly do not know what the time line is, sir. I was told that General Schwartzkopf has a concept and a plan, and when he firms that up, then we will be told what to do.

Senator EXON. That has not been firmed up as of yet?

General SULLIVAN. When I left the building, I had not been told.

Senator EXON. Would it not be wise, since we obviously do not need that large of a contingent over there anymore, to expedite as much as possible the return of those troops?

General SULLIVAN. Yes, sir, and we are working on a plan, but I would not want to put any time line on it. As a matter of fact, we have been working on that plan now for about a month. We have made assumptions and we know how we plan to bring them out, but as far as a time line, we have not been given any guidance.

Senator EXON. This budget that you have given us in regard to personnel, is that for payment of the Guard and Reserve and other auxiliary forces that have been called up for the time that they have been there the last few months?

General SULLIVAN. Yes, sir, for the most part. Plus, there are some other incremental costs such as imminent danger pay for the regular—for the active Army.

Senator EXON. Ending what period of time?

General SULLIVAN. Sir?

Senator EXON. Ending in what period of time?

General SULLIVAN. I am not sure when it will end, sir. There will be a date set on the hostile fire and the imminent danger pay, and that has not been decided yet to the best of my knowledge.

Senator EXON. What I am getting to, is that just to pay these for the length of time they have been there now, or for the length of time they are likely to be there between now and when they come home?

General SULLIVAN. Well, we estimated in the cost that is here, for instance—the Army estimated that it would call up 220,000 reservists—that is Guard and Reserve. In fact, we have only called up somewhere in the neighborhood of 140,000. But our estimate was based on 220,000.

Senator EXON. Is it safe to assume that there will be a priority consideration given to the Guard and Reserve forces bringing them back quickly? Those are the ones, after all, that for the most part were uprooted from their jobs and families. Will those be given priority consideration?

General SULLIVAN. In some cases they will, sir. In-country it gets a little more difficult because many of those people are, in fact, the people who got us in there; they man the ports and they are the logistical units; and we will need them to bring us out. But there

are some units there where we could probably do that, and we are working our way through that.

Senator EXON. How many troops do we have in Europe today?

General SULLIVAN. For the Army, it is approximately 130,000.

Senator EXON. 130,000? And before the outbreak of the Gulf war, we had what for the Army, 200,000?

General SULLIVAN. Yes, sir, approximately.

Senator EXON. Could I have those figures from the other services?

Admiral JOHNSON. The Navy forces in Europe are considerably less than that, Senator, because the forces we contributed in that region are forward deployed.

Senator EXON. I understand that. How many?

Admiral JOHNSON. They are around 20,000.

Senator EXON. General Dailey.

General DAILEY. Sir, the Marines that are in Europe are either there on exercises or as part of Marine barracks or Marine security battalions, so there are small numbers and they are permanently based there or are just over for an exercise and going to return. It is probably less than 3,000.

Senator EXON. General, if we have 130,000 Army personnel in Europe today and we had 200,000 there before we got involved in the Gulf, what do you anticipate that force will be 6 months from now?

General SULLIVAN. Senator, I would hesitate to say what it will be 6 months from now. I would need to have time to see what General Schwartzkopf's plan is and his time line. I would prefer to answer that after this hearing.

[The information follows:]

ARMY EUROPEAN END STRENGTH

The Army plans to reshape its force structure to accommodate significant changes in the strategic environment. As part of this plan, the Army in Europe will evolve over the next 5 years to a force centered around one armored corps of two divisions, with an Army European End Strength below 130,000. Because the events in the Kuwaiti theater are not yet resolved, it is difficult to accurately determine the size of our European-based forces in 6 months time.

Senator EXON. The point I am trying to make here is that this is a pretty imprecise set of figures that we have been given, obviously, and I think you have testified to that. There are going to be some changes somewhere along the line.

I am simply suggesting, General, that if we could get by in the last 2 or 3 months with 130,000 Army personnel in Europe, I would conclude that we could get by with 130,000 or 120,000, and not be moving those troops back to Europe.

This may be a wonderful opportunity for us to be cutting some forces that many of us thought needed to be cut in Europe, especially given the budget crunch and the manpower crunch. I would hope that that kind of thinking would be worked in to the quotas and percentages that we are now deciding for as we build down as rapidly as we can the forces in the Gulf.

General SULLIVAN. Yes, Senator. We have taken that into consideration, and we will, in fact, build the force down over the budget years out through 1995 and 1996.

Senator EXON. Thank you.

Thank you, Mr. Chairman. My time is up.

Chairman NUNN. Thank you, Senator Exon. Senator Thurmond.

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Davidson, to date, approximately $53 billion have been pledged by seven allies, yet only $14.9 billion have been received in cash and through in-kind services. When do you anticipate receiving the remainder of the pledges?

Mr. DAVIDSON. We expect to receive those pledges over the next 30 days to 40 days. Those pledges were made to cover costs through the end of March, and it is our expectation that our allies will follow their contribution plan accordingly.

Senator THURMOND. You are saying they will try to reduce it now? Will we fall short?

Mr. DAVIDSON. At this point, I do not think we know enough about costs to say conclusively that there is a basis to do that. We still do not have the full costs.

Senator THURMOND. I hope we will hold their feet to the fire. I think they ought to give what they have pledged.

Mr. DAVIDSON. We do too, and we are going to try to see that that happens.

Senator THURMOND. General Sullivan, I understand that the Army is the executive agent for ammunition procurement. How much funding is requested for conventional ammunition, and is any of that ammunition being procured from offshore manufacturers?

General SULLIVAN. Sir, we requested $1.2 billion, and no ammunition was procured offshore.

Senator THURMOND. Thank you.

General Loh, I expect that the wear and tear on the aircraft, both combat and airlift, have aged the fleet significantly. Since the defense budget was prepared prior to initiation of the air war, would you recommend they relook at the Air Force aircraft procurements request for the coming years?

General LOH. We have flown these aircraft at a greater operational tempo, Senator Thurmond, during the past 5 months, but we have not overstressed them in any way. We have not included any major—any aircraft procurement as part of our supplemental budget. That was by virtue of the ground rules, and we would like to take a look at that later to see if, once we assess what our total losses and the situation are, to come back and look at adding major items for the supplemental.

Senator THURMOND. Admiral Johnson, I understand we had to rely upon foreign ships to transport our forces. To what extent did we rely upon foreign ships, and was any of this shipping provided as in-kind payment?

Admiral JOHNSON. No, sir, it was not. We had about 103 foreign flagged ships included in the number 223 I mentioned, but they only carried about 15 percent of our total sealift load because of their reduced capacity. The ships we had under U.S. flag—our fast sealift ships and our MPF ships—carried the majority, 85 percent of the total lift, because they made multiple trips they were able to turn around more quickly.

So the total number of foreign flagged ships did not contribute that much to our lift; about 15 percent.

Senator THURMOND. General Dailey, based on the Marine Corps' experience with prepositioned ships, would you advocate that we make greater investments of this type in prepositioning?

General DAILEY. Sir, the congressionally mandated mobility study that is under way is addressing that issue. I would be hesitant to make a recommendation at this point until we see how that comes out, because one of the considerations is whether we need more prepositioned equipment for either the Marine Corps and the Army or the Army only.

All of these combinations are being addressed, and I think once that study is completed, we will have a better handle on that.

Senator THURMOND. General Loh, did each of the allies provide their own ammunition stockage? If not, how do we account for the funding of ammunition used by the allies?

General LOH. Could you repeat the first part of that, Senator Thurmond?

Senator THURMOND. Did each of the allies provide their own ammunition stockage, and if not, how do we account for the funding of ammunition used by the allies? Did the allies provide their own ammunition?

General LOH. Yes, sir, the allies provided their own ammunition stocks. We have not included in this supplemental any consideration of their usage.

Senator THURMOND. Admiral Johnson, although hostilities have ceased, I assume the Navy is continuing its maritime intercept operations. What part of the increase in operational tempo is attributed to this operation? If the embargo continues for the remainder of the fiscal year, does the Navy have sufficient funding?

Admiral JOHNSON. Senator, our supplemental request was to fund 90 days of optempo for the ships that we have in the theater. Most of the surface combatants in that region are involved in enforcing the embargo to prevent that sort of transaction through Iraqi ports and into Amman. We will continue that presence until we are relieved of that tasking by the President.

We have not asked for additional funds in the supplemental request for any extension of that requirement, and that will have to be resolved according to the U.N. resolution and the sanctions that are enforced.

Senator THURMOND. General Loh, you indicate that the Air Force would use over 200,000 flying hours per month above the normal program. What was the planned flying-hour rate per month, and what type aircraft accumulated the most hours?

General LOH. The aircraft that accumulated the most hours were the tanker aircraft and the airlift aircraft. I will have to provide the numbers for you for the record on the normal aircraft flying-hour rates.

[The information follows:]

The normal aircraft flying hour rates for the USAF, on average, are approximately 209,000 hours per month.

Senator THURMOND. Senator, I just have two more. Is that all right?

Senator EXON [presiding]. Senator Glenn, you will be next. He has two more questions. Do you object?

Senator GLENN. That will be fine.

Senator THURMOND. I just have two more questions.

General Sullivan, although the supplemental is requesting funding for the operational and maintenance account to cover operations in Desert Shield, I expect that the wear and tear on the vehicles and equipment would require increased maintenance in the coming months. Do you anticipate having to ask for additional funding at a later date?

General SULLIVAN. No, sir, I do not think so. I think it is covered here.

Senator THURMOND. General Dailey, you indicate in your prepared statement that you will require additional funding for chemical equipment. Would you be specific as to why you need this equipment, and was there a shortage before the Marine Corps deployed?

General DAILEY. The equipment that is contained in the supplemental, sir, is chemical detection equipment that we did not have before. Individual sets of equipment can be carried by each marine or squad leader. These were in procurement at the time, and we wanted to increase the numbers that we were buying.

Senator THURMOND. Mr. Chairman, I ask unanimous consent that my opening statement follow that of the ranking Republican member.

Senator EXON. Without objection, that is so ordered. Thank you, Senator Thurmond.

Senator THURMOND. Thank you, gentlemen.

Senator EXON. Senator Glenn.

Senator GLENN. Thank you, Mr. Chairman. I think maybe we are a little premature here today in that we do not quite know the nature of things over there yet and here we are trying to put a cost tag on a lot of things that we are not at all sure of in my view. We do not know how lengthy the embargo may continue to be.

All we have to do is have a couple of Scuds fired out of there in areas where we are not in charge, and we are back into combat again. And so I will not say I take the testimony today with a grain of salt; I always take what you gentlemen say very seriously. But I would just caution that maybe we do not know the answers yet to what the supplemental really is going to be required to be yet.

We also do not know the nature of what force is going to have to stay there. The Navy--are we going to keep the Marines afloat awhile there to take care of whatever? I do not know, and so there are a lot of contingency things here.

In the statement it was asked specifically that we change the legislation that required certain end-strengths at the end of each of the next 5 fiscal years.

I presume you still need that, or do you see that you might be able—and this was addressed a little bit earlier. Is there a chance that if this peace holds, and if we really are at the end of this and we really start pulling people out, that you still would be able to hit the end-strengths that we had tailored for the end of this year? You cannot make them?

General SULLIVAN. Sir, we cannot make them. We are almost at 1 million men in the Army now. We have all of the reservists plus the stop-loss people that were called up, and we have to get that cleaned up.

Senator GLENN. Can you give us any figure as to how far—let us say that peace holds; let us assume that. How far over are you going to be at the end of the year?

General SULLIVAN. At the end of this year, I would expect we are going to be still in the 700,000's in the Active Army.

Senator GLENN. And you were to be at what at the end of this year?

General SULLIVAN. Somewhere in the—I think it is 702,000 at the end of 1991.

Senator GLENN. And that would presume that you would start pulling people out of the desert at an early date even to get down to that; is that right?

General SULLIVAN. Sir, we could not get—we are going to have a hard time meeting any of those numbers.

Senator GLENN. Anybody else—the same thing? Everybody else?

General LOH. The same applies to the Air Force, sir.

Senator GLENN. General Dailey.

General DAILEY. Sir, we may be able to come close to the number depending on when we get the authority to start withdrawing. If we start moving out of the country by as early as May, we could probably come within 1 percent of the number.

Admiral JOHNSON. The Navy will be between 7,000 and 8,000 off the number, because those end-strength numbers are attributed to some of the ships we have in the Persian Gulf. The plan is to return them to their home ports and allow some sensitivity for resettlement of families before we decommission the ships. So it is about 7,000 or 8,000.

Senator GLENN. Well, I chair the Manpower Subcommittee, and so we deal with these things and we worked this out with the Pentagon last year on what those end-strengths would be to everybody's satisfaction, and we are going to ramp down. What I have to decide here pretty soon is how far we go with this. Do we just give a waiver on this, or do we set the whole thing back a year, or can we hit most of these percentages, and that will vary from service to service.

And I am telling Secretary Cheney and Mr. Jehn that we need the information as fast as we can so we can make our plans. And in the supplemental, I do not see how we really do a supplemental intelligently unless we have some better idea of the end-strengths, because personnel costs overall are about 46 percent of the total defense budget. So we are talking about big items when we talk about changing personnel or numbers of personnel.

More specifically, you also request the supplemental—you have a supplemental request that contains a provision that would authorize Secretary of Defense to temporarily waive the ceilings and limit the number of enlisted personnel at E–8 and E–9. Is that mainly because of the overages because of the stop-loss program when you wanted to keep those people in? Who wants to take that? Anybody?

General LOH. Well, that applies to the Air Force, Senator Glenn. Our stop-loss has occurred in critical skills, and typically those crit-

ical skills are manned at the noncommissioned officer level, the higher enlisted grades.

Senator GLENN. Would that still be a necessary change in legislation that you want? Because I would presume that the people on stop-loss would be among the first you let out.

General LOH. Yes, it will. But as you said, it is too early for us to tell the impact of that.

General SULLIVAN. In the case of the Army, the same applies for us. It will take us about 6 months to let them go, and that depends upon when we start coming out.

Senator GLENN. Well, I am for giving you whatever flexibility you need on this. I am not indicating any hesitancy on that, but at the same time, if we are to go ahead and start tailoring the forces for the future, then we have to start tailoring the personnel. Depending upon what we come up with with the total force policy study and restudy and another restudy of that that is going to be necessary by the time we get around to actually doing it.

Are there any other personnel authorities that you need to respond to this changed situation now that you can think of at the moment?

Mr. DAVIDSON. At this point, no, Senator. These were the only two. Otherwise, there were waiver provisions in the law which already permitted the Secretary to grant a waiver under the circumstances.

Senator GLENN. As you are aware, there was a whole title in the legislation put in in support of people over there in Desert Shield and Desert Storm, and I was asked to chair a task force, a personnel benefits task force, by the majority leader in which we tried to put all these things down, tried to cost them out and make some sense out of them so that if we take them to the floor, we take them as a package and spend 3 or 4 days and really get them through on a priority so people are aware of what we are doing and how we are supporting them.

Let me ask a couple here just—and this is not to encompass all of our area, but are you satisfied with the current rate of imminent danger pay?

General SULLIVAN. Sir, we are supportive of your proposal, I believe, to put it up to $150.

Senator GLENN. I believe that was actually put in by the Chairman, but I have supported that. It is 110 to 150. Are you satisfied there are not existing compensation or benefit inequities between Active component personnel and reservists? We were concerned about that. Does anybody want to take that? Mr. Davidson.

Mr. DAVIDSON. Actually, I would defer to my colleagues on that. I am really not prepared to answer.

Senator GLENN. Does anybody else want to take a crack at that one? Are you happy with the way the reserves have fit in with this thing as far as the pay and benefits and so on?

Admiral JOHNSON. Yes, sir. It has gone very well.

Senator GLENN. We have provisions in here for certain areas, like doctors, where we think you need some alterations, and we will be working with you on some of these things perhaps very shortly. We had some others, again, in the area of adequacy of family support, child care resources, protections, health benefits—

safety net for some of those things that we will be talking to you about.

My time is up, but before I give up the mike here, General Loh, I understand you are—I hear rumor, anyway, that you were off to take over TAC, and I know you will not be too unhappy about that, I would gather. Obviously, you are going to be getting a lot of very, very experienced people back in TAC, so you should have a pretty good time with that.

General LOH. Thank you, sir. This committee has something to say about that, though.

Senator GLENN. But I would not anticipate a lot of problem there.

Thank you, Mr. Chairman.

Chairman NUNN [presiding]. Thank you, Senator Glenn. Senator Exon.

Senator EXON. Mr. Chairman, thank you very much.

I have just two short questions, and I believe that they would probably be best addressed to you, Mr. Davidson. As I understand it, we have about $53 billion pledged in cash or in-kind services, and about, $15 billion, or so, that has already been received. When do you anticipate receiving the rest of the $38 billion?

Mr. DAVIDSON. Our hope, our expectation, our plan is in the month of March or shortly after that. But those pledges were for our costs through the end of March. They were pledges to cover the first 3 months of calendar year 1991, and therefore, we are operating on the assumption that our allies, since they pledged that way, will fulfill their pledges that way.

Senator EXON. So we can generally assume that by April 15 tax collection time, we should have that money coming in that has been promised from foreign sources?

Mr. DAVIDSON. Well, I am hopeful, and it is more than hopeful, because I do not mean to say that lightly. I mean, you have sovereign nations here who have made a pledge, and we have no reason to believe they are not going to fulfill their pledge. At the same time, some of the pledges are very substantial. But it is our plan and our expectation, yes, that we will get it.

Senator EXON. I would hope you would keep up the pressure, after all, with interest rates as they are today. If that is not paid by them, I suspect we are going to have to pay it to keep our bills current, and that could throw things off a great deal.

Last question. As I understand the proposed working capital account that the money contributed by foreign governments would be spent by the Defense Department without congressional appropriation, that is a direct contradiction, I suggest, of the language contained in the 1991 Defense bill. Given Congress' swift action in approving funds for the fiscal year 1990 Desert Shield supplemental and the expected quick disposition of this 1991 Desert Storm supplemental, why is it necessary to proceed with a proposal to circumvent Congress' intent and traditional rule in just giving this "slush fund" to the Department to spend as they see fit?

Mr. DAVIDSON. Well, of course, first, we did not view it as a slush fund, but it was not our intention to avoid congressional control and influence. I mean, obviously, we are here and asking you for your authority. The proposal was made recognizing the uncertain-

ties of both, combat and even of the peacetime costs. And given the uncertainties of war, the proposal was made to provide the Secretary and the President with a maximum amount of flexibility.

Senator EXON. Thank you. I have no further questions, Mr. Chairman.

Chairman NUNN. Thank you, Senator Exon.

Mr. Davidson, DOD is currently operating under the so-called "food and forage" statute which allows you to obligate funds at a deficiency rate to meet certain day to day operating costs. That is an unusual statute. I recognize the extraordinary authority there, but what keeps you from continuing to use that rather than the supplemental? You mentioned that you had to have a supplemental. Why could you not continue to use that as you interpret the law?

Mr. DAVIDSON. The food and forage allows us to obligate additional money, but what it does not allow us to do is to spend, that is, write any checks in amounts any greater than the appropriation, the fiscal year 1991 appropriations. So what that really means is that taking, say, the O&M appropriations, typically they expend 70 percent in the first year.

And what food and forage does is allow us to obligate funds for an additional period of time, more than the appropriation, and to spend that 30 percent that ordinarily would not expend in the first year—spend that and use that extra expenditure. But the point is, that it is only a temporary band-aid, because eventually we are going to run out of appropriation. Because while we can obligate additional funds, we cannot expend any more than the Congress has approved.

Chairman NUNN. In other words, you can obligate the government for it up to a certain point, but you cannot pay for it beyond where your appropriation is.

Mr. DAVIDSON. That is correct.

Chairman NUNN. Actually cutting the check.

Mr. DAVIDSON. That is correct.

Chairman NUNN. Is it your intent that the funds from foreign contributions in the defense cooperation account will be spent before the $15 billion in U.S. funds which you are requesting for defense working capital?

Mr. DAVIDSON. Absolutely. That was the whole intention of our proposal.

Chairman NUNN. The administration has stated that the costs in the supplemental request exclude the additional cost of combat over and above the cost of Desert Shield deployment, and we have gone through that. This supplemental request already includes a package of $6.4 billion for procurement of munitions, weapons, chemical gear, and so on, precisely because they would be likely to be used in combat. So that is really anticipatory costs of combat, is it not? Do we not have that in here?

Mr. DAVIDSON. Yes, that is true. That was put together that way; that is correct.

Chairman NUNN. And you say you will have an estimate of the combat costs in about a week or two?

Mr. DAVIDSON. That is our intention, yes.

Chairman NUNN. Will we need to handle that in a separate supplemental, or will we need—is this $15 billion going to be enough?

Mr. DAVIDSON. The $15 billion should be enough, in combination with the contribution from our allies. I would not see, at this point, the need for another supplemental if the cease-fire holds as things are now.

Chairman NUNN. I understand it is impossible to be precise about the budget and so forth, but as the request is drafted, if the actual expenses turn out to be very different than those presumed here in terms of the amounts spent on specific items, would the Congress know what the money was actually spent on if we granted your request as you have made it?

Mr. DAVIDSON. Yes, you would, Senator. Now, there is a separate bill, I think, in both the House and the Senate addressing the reporting of costs to you, the Congress, as well as reporting on contributions. It is our intention to report costs to the Congress monthly, in conjunction with the congressional desires as expressed in that legislation.

Chairman NUNN. Your supplemental request does not identify funds for replacement or specific major end-items of equipment such as tanks or aircraft. If you get this broad authority from Congress, what policy will you adopt for a replacement of combat losses of major end-items?

Mr. DAVIDSON. At this point—well, our policy is going to be to look at what our long-term force levels are and to what degree we intended to reduce end-items of equipment, and then make a judgment as to whether indeed we need to replace that item.

Chairman NUNN. Let us take an F–15. If you lost an F–15 and it is 2 years old, what are you going to charge in terms of this so-called war account or—what are you calling the account now?

Mr. DAVIDSON. The working capital fund.

Chairman NUNN. Working capital account. Are you going to charge for the full replacement cost of an F–15, or are you going to charge for the F–15 cost as originally made minus some depreciation factor? How are you going to use the accounting on what a replacement is for an F–15, or a tank, or anything else?

Mr. DAVIDSON. First, if we were just to record the cost—and frankly, I have not looked at it at this point—one of the considerations is, are we going to replace an F–15 at all, because we are reducing the Air Force Tactical Fighter Wings.

Chairman NUNN. To add a question there, if you are not going to replace something, are you still going to charge it to the overall war——

Mr. DAVIDSON. Cost of Desert Shield?

Chairman NUNN. Yes, cost of Desert Shield.

Mr. DAVIDSON. Well, if we are not going to replace it, we would not be using a contribution to finance it. It would not—we would not have a draw on either new budget authority or on our contributions from our allies. We would probably, however, in summarizing what the total cost of the war was, include the cost estimate for an F–15. My guess is we would probably use the last procurement cost for it as the measure of what it costs.

Chairman NUNN. Suppose we lost something we have to replace. Let us say we lost, well, an F–16 or whatever you want to say, and

that we are going to actually replace it. What value are you going to use to replace it? Is it going to be the depreciated value of what it was worth the day it went down, or are you going to have the replacement cost?

Mr. DAVIDSON. Most probably the most current cost estimate for it.

Chairman NUNN. Meaning what it is going to cost us to actually replace it?

Mr. DAVIDSON. That is correct. Because, indeed, it could have—the one we lost could have been the last one off the production line.

Chairman NUNN. Let me ask you one more time; what are we going to do if we give you this authority just like you have asked for it? What are we going to—how are you going to keep us informed of the exact details?

Mr. DAVIDSON. It is our intention to advise the committee if any transfer is made from the defense cooperation account, from the working capital fund, and to make you aware of any use of those funds. It is not intended for us to—if we had that authority—to proceed without keeping the Congress fully advised. We would intend to keep you fully aware of everything we proposed to do.

Chairman NUNN. Okay, we have a vote up there, and I think this is probably a good time to call a halt to the hearing. Do you have anything else you would like to say, any of you? Can you think of anything we left out?

General Loh, good luck to you in your new undertaking.

General LOH. Thank you, Mr. Chairman.

Chairman NUNN. We are going to have a few questions for you, like what lessons did you learn about stealth technology from this conflict, but we will save those for another day.

General LOH. I would be delighted to answer those, sir.

Chairman NUNN. Thank you. We appreciate all of you being here, and I hope you will express our appreciation to all the folks who participated in this whether they are back home participating or whether they are overseas participating. I know how much you have to do back here in order to make that situation work, and so my thanks go to all of you and your staffs, the staffs of the military services, and all the splendid people who never went to the Persian Gulf but who played one heck of an important role; so we include both groups. Thank you.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ALAN DIXON

FISCAL YEAR 1991 SUPPLEMENTAL FOR OPERATION DESERT STORM

Senator DIXON. Mr. Davidson, in the Defense Department's fiscal years 1992-93 budget request, the military construction account takes a reduction in the construction category of almost 35 percent. I understand that this has been termed a "construction pause".

Since I am advised that this initiative to virtually eliminate new construction came from your staff, I would appreciate an explanation of this unusual step. What were the unique problems with the fiscal year 1993 budget which occasioned this action? What steps does the Department plan to take in the following fiscal years to compensate for this lack of capital improvements of its facility stock? How does a return to even the past, inadequate levels of facility capitalization become possible in the outyears if such a funding level-could not be supported in fiscal year 1993?

Mr. DAVIDSON. The fiscal year 1993 military construction pause resulted from a number of factors stemming from the summit agreement that set budget authority and outlay totals by year. Essentially, it boiled down to a question of affordability given the budget authority and outlay totals the Department was constrained to live within. These totals are set each year through fiscal year 1997. Due to the differing outlay patterns, it was very difficult to balance both numbers. This problem was compounded due to the fact that decisions made several years ago impact outlays today. As an example, 37 percent of fiscal year 1992 outlays result from liquidation of prior year obligations, and 46.6 percent of current year outlays are attributable to pay and related expenses leaving very little for discretionary programs. Therefore, given the non-immediate nature of military construction, the fact that base closures and significant personnel reductions would drastically impact the physical plant, a military construction pause was the only viable option open to meet budget authority and outlay totals.

In response to the second part of your question, we feel that we will be all right in the long term. The pause does not affect real property maintenance. The pause still funds life/safety projects, statutory compliance projects, and increments of phased projects. Further, no weapon initial operating capability has eve been slipped due to the lack of facilities, for which I thank you for your support. Real property maintenance funding will continue to keep the infrastructure in good repair until the military construction pause has run its course.

Finally, I believe the outyear military construction levels will be adequate. The fiscal year 1993 pause was just an aberration driven primarily by outlay constraints. The military construction funding levels currently in the Future Year budget years coupled with the base closures, force structure realignments and force structure reductions being formulated will allow a proper balance to be struck between facility capitalization and mission requirements.

Senator DIXON. Mr. Davidson, in the fiscal year 1993 budget request, I note that the Department recommends that $1.8 billion in funding for real property maintenance expenses which have previously been funded through the Operations and Maintenance Account, be transferred to the Military Construction account. One explanation for this move was to deal with a problem the Department was having in meeting overall outlay targets for fiscal year 1993.

While MILCON overall has a much lower outlay rate than O&M property maintenance funds, I wonder whether shifting maintenance funds to MILCON is not simply an exercise in accounting smoke and mirrors. Do you expect that the outlay of funds for the maintenance and function will actually slow to the rates of large military construction projects? If not, what would be the basis for the Congressional Budget Office scoring the outlay rates for these funds any differently whether they are within the MILCON or O&M authorization?

Mr. DAVIDSON. We believe that that portion of Real Property Maintenance funding transferred to Military Construction account will outlay consistent with established MILCON rates. The decision to transfer $1.8 million of real property maintenance funding to the Military Construction accounts is not an exercise in accounting smoke and mirrors or a game to reduce outlays, although the transfer did tend to reduce outlays. RPM funding transferred will be used to finance all minor construction regardless of amount and major repair projects costing more than $15,000 per project. Recurring maintenance funding has been retained in the O&M accounts. The decision to transfer the non-recurring maintenance was based on the fact that repair efforts have execution and decisions patterns very similar to military construction, and this would integrate facility investment decisions and consolidate management of these investments.

[Whereupon, at 4:10 p.m., the committee adjourned.]



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